lower tariffs, increase the price paid for Latin American raw materials and ***reverse the Washington trend*** which has greatly decreased Import-Export Bank investments abroad and cut the Technical Assistance Program to the bone. The US delegation, in the present temper of Congress, is powerless to make any such commitments.

On the basis of confidential conversations with delegates, WORLD's correspondent in Caracas cables that the most anti-Communist of Latin Americans ***secretly sympathize*** with Guatemala's defiance of the "Colossus of the North" and bitterly condemn the British "military intervention" which recently overthrew British Guiana's pro-Communist Jagan cabinet.

Unless Washington's delegation ***steps warily*** indeed, the conference, instead of strengthening "hemispheric solidarity," may give the Communists and other enemies of the US an opportunity to weaken it gravely, handing Moscow its first substantial victory in Latin America.

* * *

A bitter struggle for power is still raging ***inside Egypt's ruling military junta,*** the "Revolutionary Command Council," despite the nominal restoration to the Presidency of the ailing Mohammed Naguib as "window-dressing" proof of unity.

A new and ***definite showdown*** between Naguib's followers and those of Gamal Abdel Nasser, who as successor to Naguib in the Prime Ministry (see WORLD, issue of Jan. 8) holds the chief reins of government, will take place, WORLD has learned, as soon as realignment of the opposing forces is completed. It may easily lead to ***open fighting*** between the army factions.

Nasser already controls a ***majority*** of the eleven junta members. He compelled Naguib, as the price of his restoration to the Presidency, to admit publicly that the junta was the "Supreme Custodian of the National Interest."

Backing him is the regime's chief trouble-shooter, Minister of National Guidance ***Salah Salem,*** the towering, colorful army major credited with swinging the Sudan to Egypt and away from Great Britain in that territory's first elections last autumn.

The new Prime Minister also is supported by a ***majority*** of Egypt's 5000 army officers.

However, the forces lined up behind Naguib must ***not be discounted.***

He is ***immensely popular*** both with the people and the rank and file of the armed forces.

He also possesses the allegiance of ***two other important junta members,*** Major Khaled Mohieddine, who has a devoted and growing following among armored-force officers, and the latter's cousin, Colonel Zakaria Mohieddine, influential chief of military intelligence.

Major Mohieddine, who engineered the coup which restored Naguib to the Presidency and who devoutly admires Chinese revolutionist Dr. Sun Yat-sen, recently stated that "he who ***controls the tanks rules Egypt.***"

The façade of junta unity has been preserved so far by fear that an open split would pave the way for ***seizure of power*** by the fanatic Moslem Brotherhood, recently driven underground by the government, the outlawed but still powerful Wafdist party—the dominant political organization until the ouster of King Farouk—or even the Communists.

Another deterrent to immediate conflict, WORLD has learned, is the private intimation that the ***British government,*** while anxious not to intervene, would feel a ***"special responsibility"***—and has the troops in Suez to back it up—should Egyptian civil strife lead to widespread anarchy and attacks on foreign lives and property.

Whichever faction is ultimate victor, however, there will be no immediate change in Cairo's policy of ***"non-cooperation" with the West*** and refusal to join in the Middle East defense plans.

To win popular support, ***leaders of the rival factions*** are vying with each other in denunciation of Great Britain and the United States.

BUSINESS AND ECONOMIC EVENTS OF THE HOUR:

The much-heralded ***West German tax reform*** program — aimed at stimulating consumption and industrial development — is now sure to be introduced in the Bonn Parliament before long. Although official sources are being extremely close-mouthed about how much taxes will be reduced, WORLD has learned that ***income tax rates*** will probably be ***lowered as much as 20 per cent.*** It is likely that the greater part of the reductions will be accomplished by raising the amount of income exempt from taxation.

The only unresolved problem is when to make the cuts effective. Most cabinet ministers favor taking action by July 1, but Finance Minister Fritz Schaeffer doesn't think that current commitments will permit the slash until the end of the year.

* * *

Canada's proposed plan to have the government ***insure home mortgages*** is attracting ***capital from US, Swiss and British*** financial circles. The complete plan will not be available until the legislation passes Parliament and the federal government announces that the regulations are in force, but it is apparent that the plan will take the following shape:

An investor will be able to ***buy mortgages*** from approved lenders such as banks and trust companies and ***turn them back to the seller to administer.*** The investor probably will be ***guaranteed*** a return on his money of ***about 5 per cent*** and his funds will be ***fully insured by the government.*** In addition, all funds in Canada are transferable. In case of foreclosure there is only a slight loss on the book value of the mortgage.

When the plan was first put forward it was estimated that it would attract about $50 million from foreign sources, but the tremendous amount of interest abroad has forced government officials to raise their estimates. Now it is expected that ***US firms and private citizens*** will try to buy at least ***$300 million worth*** of mortgages in the next few years. In 1953, 100,000 housing units were built in Canada at a cost of more than a billion dollars.

* * *

American manufacturers who go after foreign contracts will encounter ***strong competition from a new source*** before long. Austria has just opened a bureau which receives information from foreign nations concerning business opportunities in their countries. In the first six weeks of operation, the bureau received over ***200 requests for Austrian bids*** on manufacturing and building contracts. By the end of the year, Austria will have no fewer than ***82 foreign trade centers*** functioning abroad, channeling bids back home.

The Vienna government also is behind a new credit insurance plan which will be run by private Austrian insurance companies. Starting out with the financing of domestic business, they will probably insure exports before the year is out. Because ***Austrian manufacturers*** are often able to ***underbid their US competition,*** this concentrated drive for business abroad will result in contracts for Austrians at the expense of higher-priced American firms.

* * *

West Germany's Economics Minister, Ludwig Erhard, apparently has fought his ***first losing battle*** since becoming virtual czar of the Bonn Republic's economic policies. He was able to get away with a drastic devaluation of the currency in 1948 and managed to put over various measures to underwrite foreign investments without any real trouble, but in trying to get an anti-cartel law passed he ran up against the ***solid resistance of the Association of German Industrialists,*** led by its president, Fritz Berg. The AGI has been extremely critical of the proposed law and it now looks as if it has managed to stymie the plan. The next step probably will be talks between Erhard and Berg to work out a compromise, but observers here feel that, having so far successfully halted the heretofore invincible Erhard in his tracks, Berg will now try to ***kill the whole idea of anti-cartel legislation.***

The Editors

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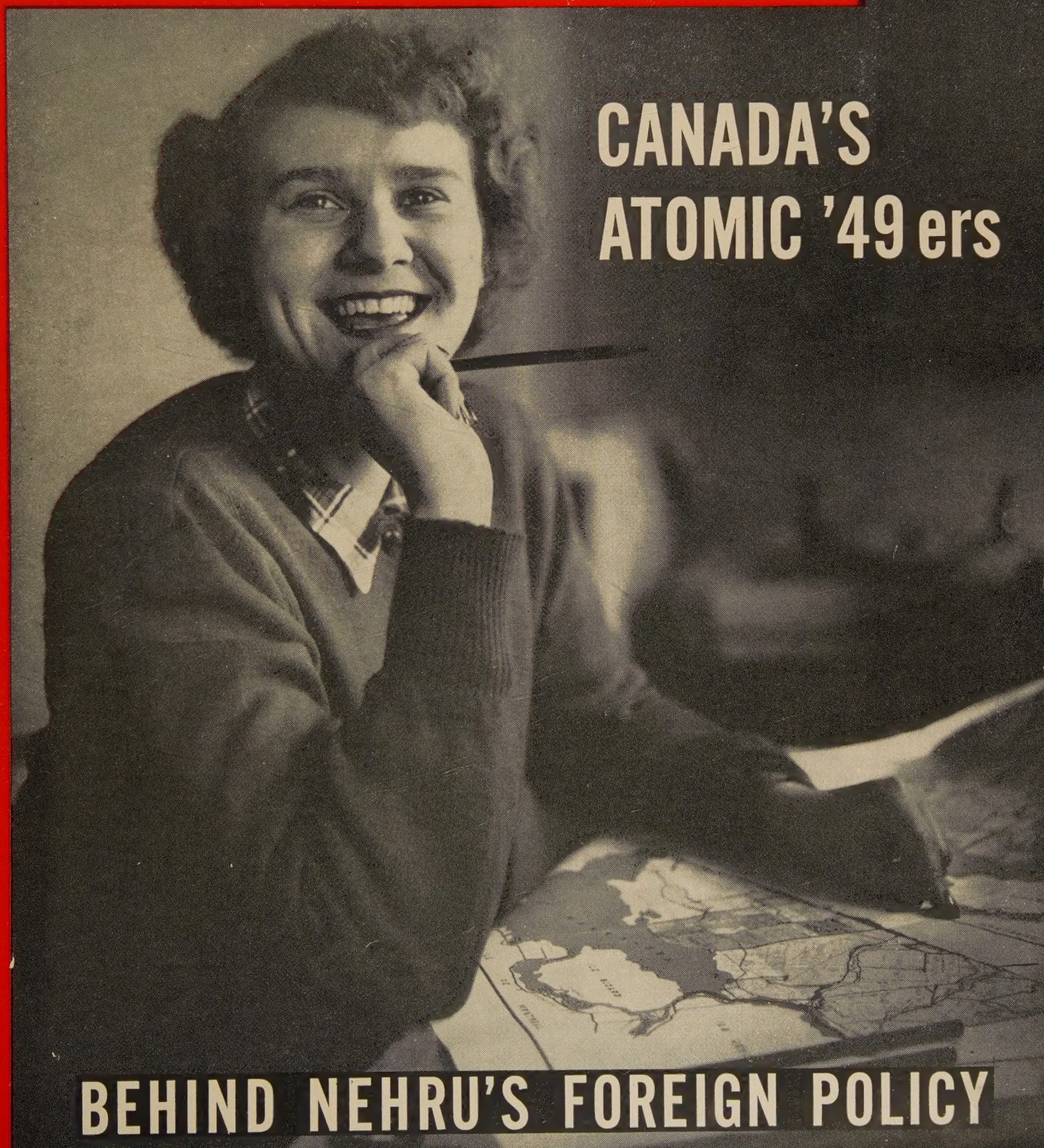

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World INTELLIGENCE

These six developments are shaping today's history.

1. Last-minute cables from WORLD's correspondents make it evident that the Communists are successfully attacking the ***weakest link*** in the democratic alliance—***France.***

They are pressing their offensive on two fronts, Indo-China and France itself.

The prospects that the French National Assembly will ***ratify EDC*** before the Geneva Conference opens April 26 are ***fading daily*** despite enormous pressure—and major concessions —from the US and Great Britain. Even ultimate ratification, which once seemed certain, is now given less than a 50-50 chance by insiders.

Soviet Foreign Minister Molotov's implied offer March 11 of an "acceptable" European security pact if France would drop EDC ***greatly strengthened*** the anti-EDC forces. It was timed to coincide with the annual convention of the Radical Socialist party, whose veteran leaders, former Premiers Herriot and Daladier, are bitter foes of ratification.

The Assembly's foreign affairs committee, whose chairman, Jules Moch, also fiercely opposes EDC, is expected to drag out its hearings on ratification until April 15, when the Assembly adjourns for Easter, thus virtually assuring ***no pre-Geneva action.***

Le Monde, of Paris, which is close to the Laniel Cabinet, stated that the Assembly would approve the EDC treaty only if an Indo-Chinese settlement was reached at Geneva, and in addition the *US* agreed to ***recognize Communist China,*** approve its admission to the UN, and virtually abolish existing East-West trade barriers. The newspaper added that representations to this effect already had been made to Washington.

Foreign Minister ***Georges Bidault,*** hitherto EDC's staunchest champion, appeared to be ***abandoning the cause.*** Following his recent conference with Dr. Konrad Adenauer on the proposed "Europeanization" of the Saar, he refused to issue an expected joint statement with the West German Chancellor which had been planned to aid the EDC cause. Instead, he made public a draft agreement asking for still further political concessions from Bonn and a stringent guarantee that all existing French privileges in the Saar be continued.

General Charles de Gaulle, who fanatically opposes any agreement which would subordinate France's armed forces to a supra-national authority, has made an almost open threat of ***civil war*** if EDC should be ratified. He said:

"If the so-called representatives of France pretend to impose EDC, I shall ***walk down the Champs Elysées*** to the tomb of the Unknown Soldier. The last time I walked down the avenue, I did not walk alone."

Meanwhile, to accentuate the necessity of an Indo-China settlement—even if the price is abandonment of EDC and with it the free world's plans for defending Western Europe—the Communist-led Viet Minh have further ***accelerated*** their general offensive.

Communist China is adding further and ominous emphasis by massing hundreds of thousands of troops along the frontier and increasing military shipments to the Viet Minh.

2. Western prospects, darkening in Europe itself, are growing considerably ***brighter*** in the ***Middle East.***

WORLD can state that both ***Iran and Iraq*** will accede to the ***Turkey-Pakistan military alliance,*** thus erecting a continuous defense barrier along the USSR's southern border, and that the ***Anglo-Egyptian dispute*** over the stationing of British military technicians in the Suez Canal Zone is coming ***closer to settlement.***

Iran's accession to the defense pact will follow settlement of its oil dispute with Great Britain, which is expected very shortly (see What's Ahead for Business, p. 35).

Iraq's joining is subject to two conditions: recognition of its obligations as a member of the Arab League, and freedom of action with regard to Israel. Both are considered ***purely***

nominal, since Iraq has never been an active League member, and played only a negligible role in the Palestine fighting.

Prime Minister Churchill's Cabinet is convinced that Egypt's Naguib-Nasser government, alarmed and sobered by the still unsettled cleavage in its own ranks, will accept the following ***compromise Suez settlement:***

Great Britain will agree that the military technicians stationed in Suez to maintain the defense installations ***wear civilian clothes,*** provided Cairo recognizes they are under British military discipline and enjoy extraterritorial rights. (The presence of thousands of men in British uniforms on Egyptian soil has been a major sore point to the touchy nationalists.)

Egypt, in her turn, will agree to regard an ***attack on Turkey*** as a threat to her own security and justification for the ***return of British combat troops*** to the Canal area.

The Churchill government feels certain that it can, with right-wing Labor support, push such a settlement through Parliament despite die-hard Tory opposition.

3. On the operational level, Western defenses in the Middle East will be strengthened by the shift of British land and air headquarters from ***Suez*** to the island of ***Cyprus,*** in the Mediterranean just south of Turkey and west of Syria.

This will greatly facilitate cooperation among the British and NATO area commands and the US Sixth Fleet.

Since Cyprus is British, high-level consultations can be held there ***without*** arousing the ***political hostility*** inevitable if they took place on Egyptian territory.

The area included in the two British commands stretches east and west from Pakistan to Libya and north and south from Iraq to Kenya.

4. To the north, however, ***Yugoslavia*** is showing some ***hesitancy*** in formally linking itself to NATO and the West through its Balkan pact with Greece and Turkey.

President Tito and his advisers are ***reluctant*** to make further ***definite commitments*** until there is a renewed threat of Soviet aggression in Europe, a development they consider unlikely because of internal difficulties inside the USSR and what they regard as recent Soviet diplomatic defeats, especially at Berlin.

They also fear that Turkey's new military agreement with Pakistan may ***weaken*** its contribution to ***Balkan defense.***

5. The Latin American nations, which overwhelmingly voted at Caracas for the US resolution pledging joint action against possible Communist intervention, now are asking Washington to ***pay the price.***

They want the Tenth Inter-American Conference with US backing to call for the ***abolition of all colonies*** still existing in the Caribbean and in Central and South America.

Since all the territories in question are ruled by three ***US allies,*** Great Britain, France, and the Netherlands, our delegates at Caracas have been placed in a very difficult position.

The colonies fall into two groups—the "occupied territories" of British Honduras and the Falkland Islands, British possessions which are claimed, respectively, by Guatemala and Argentina, and the remainder, for whom complete independence is demanded.

6. High-level conferences with Great Britain and Canada which may result in ***some modification*** of the "new look" defense policy will take place shortly in Washington.

Top officials in both London and Ottawa fear that the policy, by staking everything on atomic "retaliation" and drastically cutting the ground forces, gravely ***weakens US freedom of action***—and hence that of the free world—in any new international emergency.

They feel that it leaves Washington little choice, should a new "Korea" come into existence, between ***doing nothing*** whatever and precipitating an ***all-out global war.***

Our two allies hope to obtain assurances that the US will keep in being a strategic ground force reserve capable of ***"limited" police action*** without the employment of nuclear weapons. The use of the latter, they believe, would inevitably lead to World War III.

LETTERS to the Editor

Political Baedeker

In the last-minute rush to board the S.S. *United States* for Europe, I grabbed several of my favorite magazines from a newsstand.

After settling myself in my stateroom, I discovered that I had somehow acquired a February copy of WORLD. Since I had plenty of time to read crossing the Atlantic, I perused your magazine thoroughly.

Frankly, gentlemen, I was completely taken by surprise at the excellent and thoroughly researched material contained in the lead article, "Is France Falling Apart?" For when I arrived in France, I was actually prepared to intelligently discuss the political situation with French politicians whom I encountered. Needless to say they were confounded that an American tourist should be so well informed on French politics—since even the French themselves are confused.

Thanks to WORLD, my travels in Europe have been made more enjoyable and exceedingly more educational. As soon as I establish a permanent address in the US upon my return I shall immediately subscribe.

Rome, Italy — LOU TOROK

Challenge . . .

David Schoenbrun's lead article (WORLD, Feb. '54) showing the historical roots of France's present plight was most informative. Unfortunately Mr. Schoenbrun was inaccurate when he said that "the contrast between individual wealth and poverty is sharper than ever," and was misleading when he omitted to mention the comprehensive social security system.

In 1952 the proportion of the gross national product retained by employees was 45 per cent, the same as in 1938. The distribution of income within the working class has been altered by a social security system which accounts for 30 per cent of total labor costs. As a consequence, a married worker with two children is considerably better off than before the war; he receives an income from 30 to 40 per cent higher than an unmarried worker, who is considerably worse off than before the war.

The government has not "kept down the worker's wage" since the removal of wage controls early in 1950. Neither does the High Commission on Collective Agreements decide to what a worker "is entitled . . . no more and no less." It draws up a minimum budget and recommends a minimum wage.

HARRY C. EASTMAN

Toronto, Canada

. . . Reply

► *In reply to Mr. Eastman, David Schoenbrun writes from Paris:*

Mr. Eastman makes the mistake that all analysts make who "look at" the French scene through columns of figures. Everyone here, including the government statisticians, admits that no one knows the exact amount of the gross national product of France. There is so much tax evasion, so long a tradition of concealing income, that it is impossible to know what percentage of the real national product is retained by employees. However, most authorities here would place it at 35 to 40 per cent, not Mr. Eastman's 45 per cent.

Even if the employees do retain 45 per cent, why does Mr. Eastman fail to point out that they represent 75 per cent of the active population and pay 65 per cent of the total taxes? This is what I meant by the "contrasts between individual wealth and poverty." The *salariat* does not get its relative share of national income, while at the same time it pays a disproportionate share of taxes.

Mr. Eastman is correct in saying that social security has improved the lot of the married worker. But even the man with children who has been helped resents the fact that his wages, as such, are lower than before the war and that the higher total income is the result of a handout.

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The unions of France all protest the fact that social security is used as a substitute, instead of a supplement, for a living wage.

As a general rule, real wages in terms of purchasing power are a bit lower than in 1938. What is more important is the contrast I noted, for commerce and agriculture have advanced considerably whereas industrial wages have not.

As for the High Commission on Collective Agreements, I did not say it "decides" what a worker is entitled to. The text reads: "Thus it is small comfort for a bachelor light worker to know he is entitled, *in the opinion* of the High Commission . . ."

Atomic-Age Morality

In your interesting article, "Hate on Location" (WORLD, Jan. '54), there appears to be a tone of righteousness that Americans are not entitled to as regards Hiroshima, either as an event or, I fear, as a motion picture.

A condition of war inevitably acquaints a nation and its leaders with a dubious morality. It is understandable, therefore, if not pardonable, that in the moral confusion of such a circumstance, the leaders of a nation might assume they bore a right to slaughter innocents in number beyond prior calculation—a crime that seems hideous to us when perpetrated on a small scale by the monster Herod in Bethlehem. . . .

Surely it is well known that the consequences of immorality live with us. . . . An attitude of arrogance, so often displayed by the guilty, ill becomes a nation with the high purposes we claim.

As for the accusation that Hiroshima grew out of racial reasons, we must hold ourselves accountable for this. Anyone who can think back a few years can remember how hatred of the Japanese was peddled wholesale in the streets. United States citizens of Japanese descent were dispossessed, herded like animals into barbed-wire enclosures—and for no other reason than their *race*, since they had committed no crime. . . .

And now we are indignant that the people who suffered the atomic bomb remember it and resent it and tell it to their children.

REV. LAWRENCE D. SIMONS
White Sulphur Springs, Mont.

How Free . . .

I don't wonder at the "anger" of Vice President Nixon at Dulles, mentioned in your article "Uncle Sam's Collective Brain" (WORLD, Jan. '54). Why, to make his statement that "the United States might under certain conditions be prepared to recognize the Red Chinese government," should the Secretary of State have chosen the very moment when the Vice President was undertaking a friendly official visit to Chiang? Mr. Nixon might well feel that Mr. Dulles had put him in an extremely awkward position.

I detect you do not like Presidents Rhee and Chiang, nor do you like the persons who show friendship toward them. But I should say, although they give you headaches, these two stubborn men still personify two free countries in the Far East. . . .

Baltimore, Md. JOHN KEE

. . . Is Free Asia?

After reading the interview with Senator Knowland (WORLD, Jan. '54), I can understand the reasons for much loose thinking in regard to Asian problems.

By what sort of twisted logic can the Senator assume that the remnants on Formosa represent the "free" people of China, that the Syngman Rhee government represents all Korea, or even South Korea? Voting is a wonderful democratic institution, yet I wonder how much free will was represented in the voting of the illiterate and amazingly poor South Koreans? A child can be tempted—and threatened—very easily, and so far as voting goes, the South Koreans are children.

Senator Knowland attempts to draw a parallel between the sacrifice of Czechoslovakia at Munich and "appeasement" of Communist China and North Korea. But Czechoslovakia was a free, independent nation when it was thrown to an outside country, Germany. Despite Russian moral and material aid, the struggles in China and Korea were basically internal, *within* these countries. The comparison with Munich seems to me to be unfair. The Communists in China are also Chinese; the Germans were not Czechs. . . .

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This urgent report from WORLD's Business Correspondent in Vienna was published in the last *Mid-Monthly* Issue of WORLD, which is received only by subscribers. You cannot get it on any newsstand.

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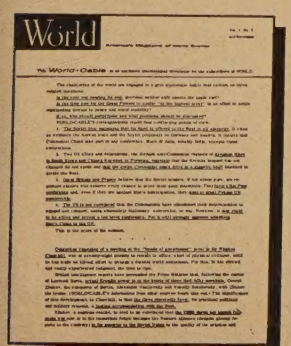

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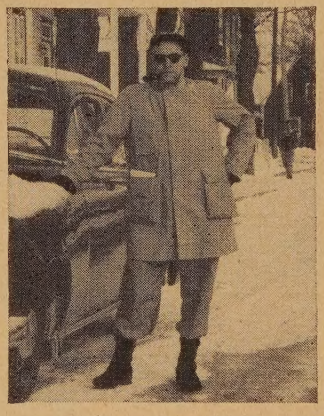
LETTER FROM THE PUBLISHER

Dear Reader:

To analyze stock market fever charts in the financial pages and study corporate annual reports is the accepted and necessary work of business journalists. But sometimes it's possible to report the raw material of a boom even before it affects the super-sensitive stock market.

Two weeks ago, WORLD heard about a possible major "find" of rare earths in Quebec, where the Molybdenum Corporation of America has been making closely guarded tests.

The word came to us from a Canadian geologist, with whom I sat talking one Sunday afternoon ten days ago. Hurry-up phone calls brought over our editor-in-chief and our business editor. The three of us sat up till dawn firing questions at the geologist.



An economist turned reporter.

A foreign correspondent turned photographer.

The story sounded like the Yukon, the Klondike and Sutter's Mill rolled into one — except that the implications for industry in this atomic-energy age promise to be infinitely greater than any precious-metal operation could be.

We decided to investigate for WORLD readers. The story looked big enough and important enough to warrant sending Business Editor Mark Stroock and Feature Editor Percy Knauth up to Canada to get the lowdown for you.

They flew to Montreal on Tuesday, got themselves cold-weather gear for the near-zero temperatures, and by Wednesday noon were in Oka.

The rush was on. From the start they were surrounded by geologists, free-lance prospectors, mining officials, claim-jumpers, and provincial policemen who had swarmed into the little resort town that until recently was best known for its monastery and the superb cheese made by the Trappist monks.

Editors Stroock and Knauth spent their days on the frozen fields, watching claims being staked and the snow-covered earth drilled for samples of ore to be shipped out for analysis.

Percy Knauth, who has been a foreign correspondent in Western Europe and the Middle East, made the jump from amateur to professional photographer on this trip. "It's what I've been wanting to do for years," he told us later in New York. "I guess a correspondent who has watched photographers as much as I have gets a yen to try it himself."

At nightfall, the economist-turned-reporter and foreign-correspondent-turned-photographer went back to the prospectors' hotel. Like all travelers' resting places since the caravanserais, the hotel was a beehive of rumors. And since a good reporter knows how to sift fact from fancy, Stroock and Knauth held open house in their hotel room. "I kept wishing those prospectors weren't quite such a hardy lot," Stroock said. "We were bushed, but those boys kept going till three or four a.m., and put away five or six imperial quarts of scotch. It didn't affect them at all, but it sure cut into our sleep."

What they found out about Oka, what it may mean to US and Canadian industry, you'll find in the seven-page report starting on page 55. We made it our cover story because we consider it a big story, both in itself and as an outstanding example of how the exportation of risk capital can help to reduce international trade barriers.

WORLD subscribes to the philosophy that the way to permanent peace lies along the road of international economic cooperation. That is why we are publishing "US Business Joins Canada's Atomic '49ers."

Sincerely yours,

Roger S. Ridgeway

World

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America's Magazine of World Events

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COVER: Delcy McDonough, prospector's wife and a prospector herself, marks the latest claims staked out on rare-earth find at Oka, Quebec. The exciting story of what brought her to Oka is told on pp. 55-61.

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VOL. 1 NO. 11 World APRIL 1, 1954

A GOOD NEIGHBOR CHALLENGES THE U.S.

Costa Rica's "Pepe" has a new concept of Hemisphere cooperation

By HENRIETTA BOGGS FIGUERES

In José ("Pepe") Figueres, the recently—and democratically—elected President of Costa Rica, we have a new and significant kind of friend in Latin America, one who is taking bold, unconventional action to ease the region's strained politico-economic relations with the US. Alone of the twenty-one American republics, Costa Rica boycotted the Caracas conference to protest the dictatorial regime in the host country, Venezuela.

A dynamic philosopher-politician, Figueres in his inaugural address called for an end of "economic occupation" of Latin America by large US companies. But he offered a new kind of economic partnership, emphasizing broad social development, in which foreign investors would share their profits with local institutions while "operating in an atmosphere of honesty and safety." As a first step, he plunged into a crucial renegotiation of Costa Rica's contract with the United Fruit Company; the progress of these talks is being watched intently both north and south of the border.

The rise of "Pepe" Figueres from a lone political maverick to President is one of the most striking success stories of our times. Here, the woman who shared his vital formative years, his American-born former wife, Henrietta Boggs Figueres, describes four decisive moments in the making of a leader.

Taking office *last November after a two-to-one election victory, President Figueres prepares to launch a new era in Pan-American relations with his inaugural address.*

HE SAT on the mattress of his cell in a Costa Rican jail, toward the end of the third day of solitary confinement, trying to realize that he faced exile to an undisclosed country. It was dark; there was no bed, no window, no light—just the mattress on the floor and the bucket in the corner.

His face, strong and harsh with its jutting nose, wide forehead and thick, stenciled brows, was gray and weary with strain. There was no softness in that face, and little humor; like the taut, slight body, it suggested terrific power under a precarious leash, a giant spring too tightly coiled, a fist perpetually held in readiness to strike. Now, in this prison cell where Figueres faced no man except himself, the power and the leash were warring in his tired body. This was the moment when he could still retreat from the road he had so rashly chosen—give up, accept his punishment and retire once more to his books and his farm—or go ahead into uncertainty and danger.

Nothing in his background had prepared him for such a choice. José Figueres was not a political man. His forefathers were Catalonian, from northeast Spain—the Yankees of the Iberian Peninsula, frugal, hard-working, inventive, so industrious that, according to one of their own sayings, they can make bread out of stones. He was a farmer by profession, a student by avocation, who had taught himself philosophy and studied electrical engineering at the Massachusetts Institute of Technology. He grew and processed coffee and made sisal rope on his plantation high in the

mountains north of San José. He was a shy and bookish recluse who seldom came down to the capital, who was more at home reading Herbert Spencer or studying hydroelectric projects than enjoying the pleasant social life which he was well able to afford. He had never played any part in the petty deals and intrigues which comprised Costa Rican politics of the day. Yet here he was, in jail and facing exile, for inciting resistance to the regime.

Perhaps he should have known long since that this would be his road. For two years he had watched his country suffer from a government which had allied itself with the Communists; whose President and his henchmen plundered the public treasuries while the disciplined Reds blackjacked their way to power. In 1940 the Communists were still the Little Red Brothers of the downtrodden everywhere, who offered support to weak, corrupt regimes in exchange for progressive social legislation to win the workers' votes.

Figueres had watched, but, like most of his countrymen, he had done nothing. Gradually his vague objections to the increasing political degeneracy of President Calderón Guardia's government began to crystallize. It was as though the fires banked within him were stirring into white-hot flame: the latent but consuming anger which he felt at the misery of his countrymen, the dedicated, quiet passion of the social reformer finally erupted and drove him to act.

An open defiance throttled

Englishmen in such a situation are wont to write a letter to *The Times*; Latins make a speech. Figueres made arrangements to address the nation over the radio. The speech, his first public utterance, outlined the disastrous course of the government's policies and practices and urged the President to resign.

The speech was never finished. Halfway through, police appeared at the broadcasting studio. The astonished radio audience heard curses, muffled shouts, scufflings—then a deafening silence. Seconds later, the announcer's bland voice informed his listeners that Señor Figueres' address had been canceled by order of the Chief of Police. For their edification, music would follow—the catchy popular song, "Oh Daddy!"

Thus ended Figueres' first political act—an act of rebellion. The next scene was this cell where he sat, his head in his hands, trying to think. His mind, used to moving from the particular to the general, pointed out with merciless clarity that this was the price men pay for living in a democracy without sharing the responsibilities which democracy implies. For too many years, Costa Ricans had shrugged at grave political issues and said: "Let George do it." And George had turned out to be a thief or a fanatic.

The cell was cold, for dawn in the tropics can be chilly and damp. He sat on the mattress, dirty, alone, defenseless, and listened as boots clumped down the passageway. There were voices, the rattle of keys, lights from the corridor. The slovenly guard opened the door—to exile—and he was led away. It was a baleful beginning for a political career.

He came into the house, almost in a trance. When he is not talking, his face wears a mask of aloofness: the fires are banked. But now, as he started to take stock of himself, there was no escaping the full measure of his defeat.

Six years had passed since the guard led him out of his prison cell to exile—six years between failure and failure. In 1944 he had returned from two years' banishment in Mexico and the United States to begin the task of convincing his friends that armed revolution was the only solution to their political plight.

The nation had known no armed conflict since the middle of the nineteenth century. To the majority of Figueres' countrymen, the idea of settling political problems by force was an anachronism humiliating in its implications. It took him three years—from 1944 to 1947—to make any headway.

A whispered call-to-arms

Paradoxically, the corrupt government itself proved to be his strongest ally. Slowly at first, the people's indignation grew. Figueres, the man who had always been so silent, talked incessantly to anybody and everybody—to his family, business associates, bankers, priests, employees, politicians. Always his theme was the same: we can solve none of our problems—economic, social, or cultural—until we solve the one problem on which they all depend: whether we have the right to change our rulers by honest elections.

In the Costa Rica of 1947, this was a forgotten right. The government had maintained itself in power by three rigged elections in succession, with Communists standing guard at the polling booths, blackjack and knife in hand, to see that only the right citizens voted.

In this increasingly tense atmosphere, Figueres was finally able to persuade his friends that open, armed revolt was their only recourse. Gradually a group began to coalesce around him. Gradually money as well as advice began to come in: a bank clerk gave part of his salary; a school teacher contributed a few of his scanty pesos; a wealthy coffee grower wrote a check. Out of a thousand secret meetings, after myriad phone calls and exhortations, the money grew.

Figueres sent a friend up north with the precious funds to arrange for the purchase of guns, and now, on this day early in 1947, he waited, racked with anxiety, for word that the shipment of "merchandise" was on its way. But trafficking in illegal arms is a cutthroat business: instead, he received a coded cable reporting that the dealers had suddenly demanded an exorbitant bribe. The price couldn't be met; both the shipment and the money already were lost.

He sat motionless, accepting the consequences of this news. For him it would probably mean financial ruin: not only had he beggared himself, but he faced the almost certain loss of his business credit. Much more painful, more sickening in its implications, was the knowledge that he had failed his friends. It was he who had insisted that the plans were practical. It was he who had hounded reluctant contributors.

Victory is an accomplishment which may be shared; defeat, however, must be borne alone. He stared at the wall, and failure stared back at him. The clock's ticking noted the passing of time; a child's laugh from the garden intensified his loneliness; an automobile horn on the road outside proclaimed the world's indifference.

Finally he stood up, and his eyes were like two blue flashlights, piercing and cold: "I'm going out."

"Where?"

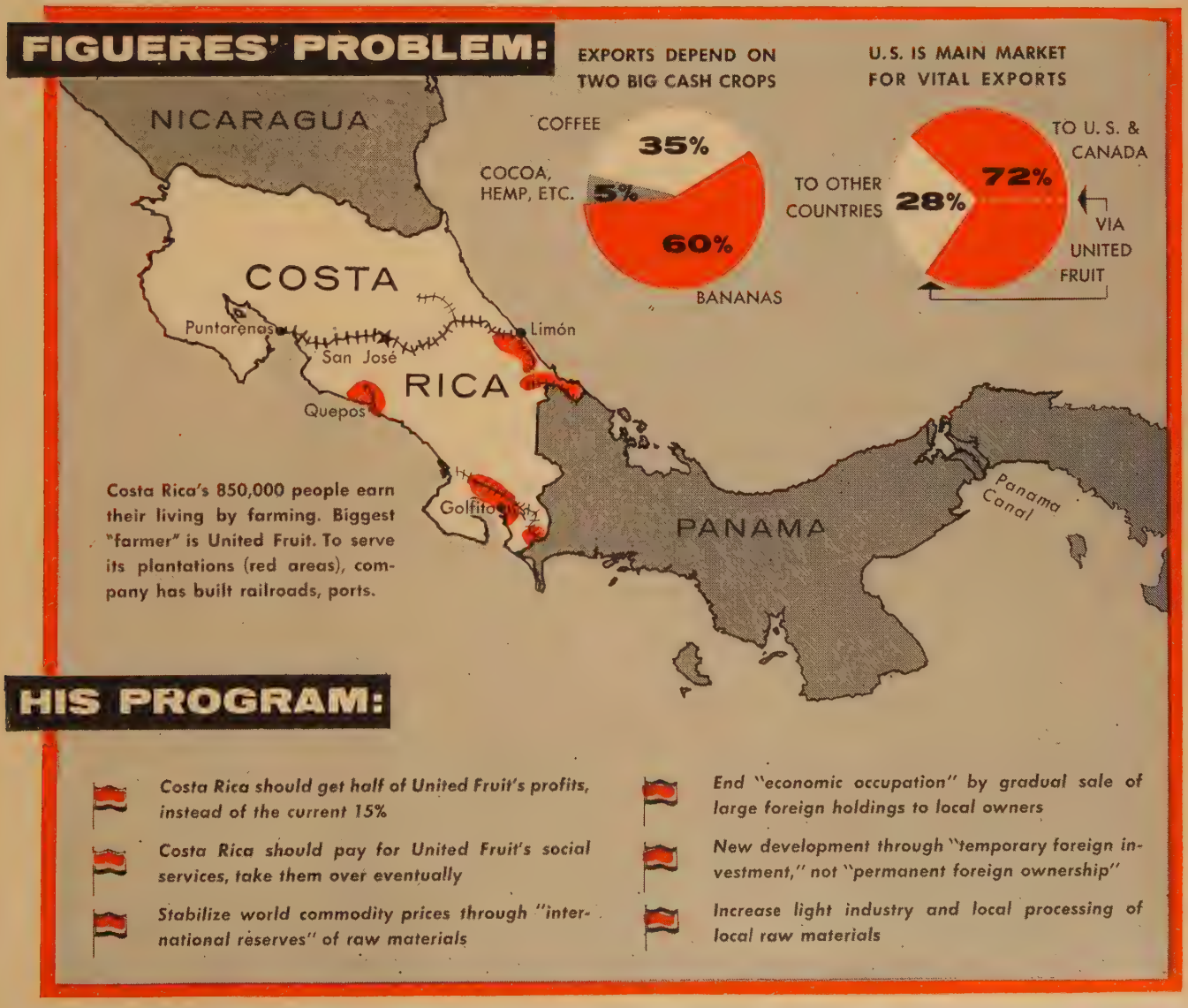
"I don't know yet, but I'm going to find money. Somewhere, somehow, we must get more arms."

A YEAR had passed, a violent, tumultuous year. He was sitting in the place of honor in the open car, tasting victory. Before him marched the Army of Liberation, smart in new uniforms, flowers twined around their bayonets, faces shining with pride. Crowds packed the streets and their applause was a tangible thing, to be savored and held close.

The war was won; Figueres was the new leader of Costa Rica. Heavy responsibilities faced him; the future might well have claimed his thoughts in this hour of triumph. Instead, his mind went back once more to the past, to those days of darkness.

The ranks of marching soldiers faded, and in their place he saw, clearly in memory, the nine men with whom he had started a civil war. The glinting bayonets disappeared, the artillery shrank to the size of his original armament: a few pistols, a sub-machine gun, some home-made hand grenades.

It had begun with the Presidential election early in 1948. In this supposedly routine affair, a popular



WORLD Chart

Conservative publisher, Otilio Ulate, won a surprise victory over the government's candidate. The regime reacted swiftly to this slip-up; Ulate was arrested and the Costa Rican congress, packed with government supporters, annulled the election. This was the final outrage; Figueres rebelled.

It had been a suicidal attempt, this undertaking to overthrow a government secure behind police force and army. It should have gone down in history as one of those gallant but hopeless gestures that men make against oppression.

The Nine-man Revolution

The revolution had lasted five weeks. Nine men had launched it—nine men waiting in a gray dawn on the Pan-American highway for the car they knew was coming, carrying the government's two chief military leaders. The roaring explosion of that first ambush, which at one blow decapitated the army command, shook the nation awake. From then on, there was no road back—survival had to be bought with victory.

Volunteers poured in, bringing such arms as they could find. Like an avalanche slowly gathering momentum, the Army of Liberation grew, until the war involved, in one way or another, most of the population. The soldiers were men from the towns and cities—clerks, bankers and young professionals, students from the university. The peasants did not fight; they were the guides who led the soldiers through the mountains, the spies who brought information, the providers of food and transport.

It was Figueres who worked out the strategy, and ordered the ragged army into battle. Painstakingly, the plan of operations evolved, with every battle but one fought when and where he wanted it. It was guerrilla warfare: hit and run, slash, harry and fade away; never give the enemy a rest; keep him off-balance, tense and weary, until finally, with a nation in arms against him, the deserted President admitted defeat and called for a truce.

The people had combined with a cause they believed in and a leader whom they trusted. The rabble of bank clerks and students and housewives had become a victorious army. Their leader had become the nation's idol—"Pepe" Figueres, chief of the ruling revolutionary junta. The cheers drummed on his ears as he rode slowly through the crowded streets. He felt the new burden settle on his shoulders; he lifted his hand and waved.

THE stage setting was the same as five years before. The pageantry, the color and movement were like that other time—cheering crowds, whipping flags, guards ramrod stiff behind their bayonets. But now, in November 1953, the tone had somehow deepened; the tide was rising. As Figueres sat on the rostrum awaiting his Presidential inauguration, he tried to analyze the difference.

He and the nation had both changed in these five years. He had known power—for eighteen months the revolutionary junta which he had led to victory had functioned as the nation's government. And he had rejected power—in November 1949 he and his Cabinet had voluntarily handed over the reins of government to the previously elected Otilio Ulate. It was the first time in Latin American history that revolutionists thus relinquished what they had won; and it drove home the point that theirs had been a war for liberation, not for political gain.

In those first eighteen months the junta made three fundamental changes in the life of Costa Rica. The banks were nationalized; agricultural methods were modernized; the machinery of government was completely overhauled and a Civil Service introduced in which government jobs were no longer a sinecure.

In less than a year, this drastic program had changed the nation from an exploited land without a future into a going concern. More, it was a nation with its pride restored, with its democracy newly founded upon the rock of self-reliance.

A self-made spokesman

In the years that followed, Figueres might well have retired to obscurity, for ex-Presidents of Latin American republics do not command too high a price on the world's exchange. Instead, there came an increased stature, a time when his fame expanded beyond the borders of Costa Rica until he was as well known in certain circles of New York, Jerusalem and other capitals as in San José.

He traveled indefatigably. He attended Latin American conferences, spoke at Inter-American forums, lectured in American universities, went to Israel ("the country of the twenty-first century," he called it), spoke on behalf of Israeli Bond Drives up and down the East coast of the US. Everywhere he went, in newspaper interviews, in speeches, in radio broadcasts, he hammered away at the goal which now absorbed his mind and energies: a new relationship between Latin American countries and the US based on equality and honesty.

These were the themes he repeatedly drove home:

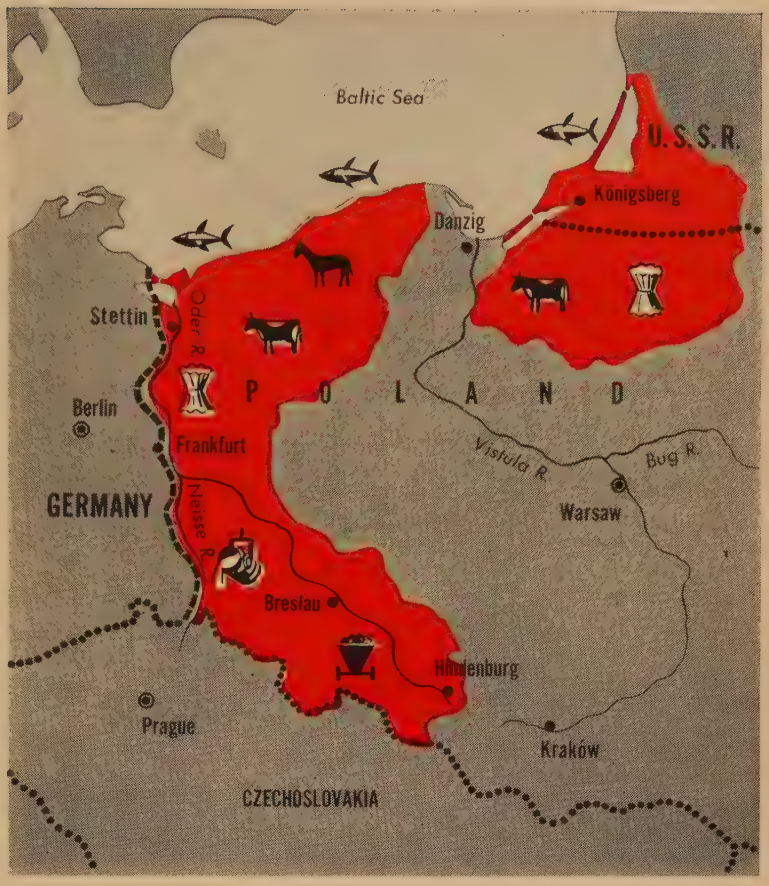
► Latin America looks to the US for moral leadership in its struggle against the external pressures of communism and the internal threats of military dictatorship and government corruption.

► The US can help Latin America most effectively by paying fair prices for its raw materials.

► Technical assistance and short-term loans must replace the nineteenth-century method of development whereby a foreign company was able to control the whole economic life of a country.

The bearer of a message from the rising nations of the south, Figueres had three priceless advantages in meeting his US audience. He was the only Latin

(*Continued on page* 70)



The "Lost Lands" of Germany (gray) include East Prussia and area east of Oder and Neisse Rivers. Rich in agriculture, they also include industrial wealth of the Silesian Basin, second only to the Ruhr.

EUROPE'S FESTERING FRONTIER

An old dilemma between East and West rises again on the Oder-Neisse line

By WOLF von ECKART

BERLIN

FROM the Baltic Sea in the north to Czechoslovakia, 185 miles to the south, the frontier between Germany and Poland runs along two rivers whose names mean bitterness and hatred to both countries: the Oder and the Neisse. More than any other European problem, this one has the explosive potentialities of an H-bomb; more than any other, it defies solution. And yet upon a settlement of this tragic frontier lasting peace in Europe will ultimately depend, for without it, neither Germany nor Poland will ever be at rest.

The Big Four came to grips with the problem of Poland's frontiers at Yalta in January 1945. No fewer than seven of the eight plenary sessions with Stalin were devoted to the Polish question; the discussions proved fruitless. Unable to come to an agreement, the Western leaders reluctantly dropped the subject, hoping that time would somehow take care of it.

Time—and the Soviets—did. While the West was busy giving the coup de grâce to Germany and Japan, the Russian armies advancing on Berlin annexed for the USSR a slice of East Prussia around Königsberg and about half of prewar Poland, up to the Curzon Line. To compensate the Poles, Stalin promised the Communist-led Polish government the quarter of pre-Hitler Germany east of the Oder and the Neisse.

Thus, from the Baltic seaport of Stettin to the borders of Czechoslovakia, the fateful frontier was drawn. About all the Allies could do was to insist that the wholesale expulsion of the Germans from their homes, which had already begun, be carried out in a "humane and orderly manner." It was a futile gesture.

The plains beyond the Oder and the Neisse are a prize that has been fought over for centuries. Vast but never monotonous, with deep forests, birch-ringed lakes and, in summer, the fragrance of blooming heather, they blend at the east into the rich, level lands of Poland and the Ukraine. Framed in the north by the Baltic Sea and in the south by the Sudeten Mountains, which rise to more than 5,000 feet in the Riesen Gebirge range, these provinces have no natural boundary to arrest the seesaw wanderings of Slavs and Germans. But Germans—now some ten million

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Wolf von Eckart, *now a free-lance journalist in Washington, served as a wartime and postwar expert for the US State Department and Information Services in Germany.*

of them—have lived along the Baltic coast and in the Oder valley for hundreds of years.

Their part of the plain, as the peacemakers of Versailles left it after elaborate plebiscites to determine ethnic boundaries, was about the size of Florida—considerably larger than the Netherlands, Belgium and Switzerland together. In the north, along the Vistula, it was divided after World War I by a strip of land called the Polish Corridor—Poland's access to the sea. The Hanseatic port of Danzig was put under League of Nations control.

The northern part of this area comprised the German provinces of Pomerania and East Prussia. Both are sandy, lonely regions with few large towns. Fishing and farming gave these lands a rustic character. Only Stettin, now a closely guarded Soviet naval base, Danzig and Königsberg had populations of more than 200,000. And even Königsberg, the largest city and the capital of East Prussia, had more cobblestone than asphalt pavements. Like most of the small towns and villages, it was little changed—until the bombs of World War II all but destroyed it—from the days when Kant preached his Categorical Imperative.

Rich in Food and Industry

Contrary to a widespread notion, only a relatively small portion of the Pomeranian and East Prussian lands were owned by the Junker land barons. Three-quarters of the farmland was in the hands of small and medium landholders. And sandy though the soil is, German statistics show it produced enough to feed fifteen million people—twice as much food as West Germany received under the US aid program.

In addition to the agricultural lands of Pomerania and East Prussia, Germany lost half of the province of Brandenburg, the cradle of the Prussian state, and Silesia with its rich industrial basin. Politically, Silesia belonged to Prussia, which, incidentally, disappeared from the map without any audible regrets from anyone, including the Prussians themselves. Silesia itself, on the other hand, is much eulogized in Germany. Silesians have always considered themselves different from other Germans. A close-knit group, even in exile they cling to their native customs.

The Silesian steel furnaces, factories and coal mines are among the most modern industries in Europe. They furnished a quarter of Germany's total iron and steel output, 16 per cent of her coal, and a substantial quantity of machinery, textiles, china and paper. The main traffic artery for this ever expanding industrial production was the Oder River, which is linked by numerous canals in an intricate inland waterway covering all Germany. Heavy barges carried coal and raw materials into Berlin, brought manufactured goods out, and finally connected with oceangoing freighters at Stettin. A canal linking the Black Sea to the Baltic via the Oder and the Danube was under construction, but was never finished because of the war.

At Yalta, Molotov insisted, as have both Communist and non-Communist Polish leaders ever since, that the transfer of the disputed territory constituted a return of "Poland's ancient frontiers in East Prussia and along the Oder." According to Edward R. Stettinius, US Secretary of State at the time, President Roosevelt asked him how long ago these lands had been Polish. "Very long ago," Molotov replied. FDR remarked that such reasoning might lead the British to ask for the return of the United States. Stalin ended the discussion by saying the Atlantic Ocean would prevent this.

The fact is that Germans started to move into the lands as far eastward as the Lithuanian border some 800 years before the American Declaration of Independence. Like our immigrants, many migrated to escape the serfdom of medieval Germany. Others colonized the plains as defenders of the faith in Christ, although their behavior, particularly that of the arrogant Teutonic Knights, was at times most unchristian.

The Prussians started to build up the area in earnest after Poland was partitioned in a series of quick deals initiated in 1772 by Prussia's Frederick the Great, Austria's Empress Maria Theresa, and Russia's Empress Catherine, who received the major portion. The Prussian policy of permitting "everyone to enter heaven after his own fashion" attracted religious refugees from all of Europe—French Huguenots, Swiss Mennonites, and Austrian Protestants. These settlers as well as the indigenous Poles were rigidly "Germanized" when nationalism became fashionable a little later. The result made it difficult for the victorious allies of World War I to give the newborn Polish nation access to the sea and also apply the principle of self-determination.

Extermination and Deportation

Hitler successfully played on the strongly nationalist feelings of the Germans east of the Oder. Although an Austrian, he was enormously popular with the East Germans, and his territorial aggrandizement was climaxed when he used the rankling issue of the Polish Corridor as his excuse to unleash World War II. When he and his Nazis got through with Poland, more than six million people, 17 per cent of her prewar population, had been exterminated. No wonder Germans east of the Oder fled in panic when the Russians came.

The Red Army was followed by Polish Communist troops. Under the Polish occupation, the deportation of most of the remaining Germans began in earnest. Once more the cattle cars used by the Nazis moved human freight, Germans this time, starving, freezing, dying. The westward roads were cluttered with endless lines of miserable humanity, carrying what was left of their belongings in clumsy bundles or pushing ridiculous little carts heaped with their worldly goods.

Of the ten million original residents only about 1,500,000 remained, to register as ethnic Poles with the new authorities. They are known as "autochthons," or original residents. Another million are re-

Former German port *of Stettin now provides Poland with long-sought access to the sea, and Russia with super-secret naval base on Baltic. Here the "Batory," Poland's top-notch ocean liner, leaves her dock as Germans watch.*

ported to have been killed or deported to Russia. The 7,500,000 who fled or were expelled make up the bulk of Germany's restless, resentful and politically unstable "Heimatlose"—the homeless people whose single aim is to regain their lost lands by whatever means.

Behind the German refugees the Iron Curtain clanked down and there is little reliable information today on what is happening in their homeland. German refugee organizations, often more vociferous than accurate, report that because of underpopulation and Communist bungling, the country is in a pitiable state, war-damaged cities still in ruins, once fertile fields a sea of weeds, and formerly thriving communities lapsed into ghost towns with new Polish names. The anti-Communist Polish Freedom Movement in London, on the other hand, asserts hopefully that with six million new settlers already there and more coming in, recovery is nearly complete. Actually, the West knows far more about what goes on in Kabinda, in the Belgian Congo, than across the bridge in Frankfurt on the Oder, fifty-five miles from Berlin.

The Soviet *fait accompli* along the Oder and the Neisse was more than an imperialist land grab. It was also a diabolically clever political maneuver. In the struggle for Germany, it gave the Soviets a trump card which the West is unable to match: the promise to return German territory at the expense of Poland.

Whether this would actually win Germany to their side or, at least, assure her neutrality is still an open question. It is certain, however, that no freely elected German government can accept the present Oder-Neisse boundary as final—and stay in office. On the other hand, if the West supports Germany's claims there is still no guarantee of a peaceful and lasting settlement. For by backing German border revisions in the east, Western statesmen would inevitably alienate the Poles, who hate the Germans even more than communism. Such support would force the Poles to look to the Soviets for protection.

Compounding this dilemma is the profound distrust of Western Europe, notably France, of any policy which would rearm Germany before her territorial status is fully settled and guaranteed. In 1939 the French showed little enthusiasm about dying for Danzig. Today they are even less disposed to risk being drawn into a similar military adventure by their prospective German comrades-in-arms.

The least the West can do, some Europeans say, is to propose a plan for peaceful European cooperation along the Oder, a sort of Silesian Schuman Plan, and commit the Germans to it. This would fit right in with Chancellor Adenauer's remark that the Oder-Neisse question can be resolved only in a European framework once Poland is free. It would encourage East Europeans much more than the specter of a stalemate which is about to be backed by German arms.

Margaret Hockin of UNESCO takes her "clinic" with her into the Iraqi desert.

A Day Off in Iraq

By DICKEY CHAPELLE

IT WAS about an hour after the American photographer said it was his day off that Margaret decided Khadmia probably had tetanus.

The photographer was a Point Four man, with a leatherbound notebook sticking out of the shirt pocket of his wrinkled khakis. He said defensively, as he watched the farm women carrying cut wheat on their heads in the blast-furnace noon sunshine outside, that he was planning to rest.

It all began in a headquarters village of the big Iraqi land resettlement project about a hundred miles southeast of Baghdad. Headquarters was a group of yellow brick buildings called Kilometer 29, because of its position on the canal which had turned this desert into farmland five years ago.

From one of the smaller buildings, after the photographer had left, there came the murmur of two women's voices. The first voice belonged to an Arab woman stretched on a plaid blanket folded on the yellow tile floor. Her patched print dress and her two black scarves lay in a heap near her head. Her dusty black *abba* was draped modestly around her brown legs and up over one thin shoulder. From the hollow of her shoulder almost to the armpit was a draining wound from an abcess the size of an egg.

Her high voice was repeating in Arabic, "May I be a sacrifice to you . . . may Allah will for you peace and good health . . . may my pain spare you pain. . . ."

The other voice was Margaret's—Margaret Hockin of Truro, Nova Scotia, now from UNESCO, Paris, here as a teacher of fundamental home economics. Margaret was kneeling beside the sufferer, a white enameled pan of hot boric acid solution dripping onto her yellow cotton dress.

"Now this is going to hurt a little . . . I can't help it . . . oh, you've been brave, mother, you've been brave," and she laid a sponge of soaking cotton gently on the wound.

"There, that's the last one for today, the last one, I said. It's all over now. Rest, mother, don't try to get up right away. Rest."

But the farm woman began to dress at once in silence, then padded barefoot to the door. She had just gone when the door opened again.

IT WAS a moon-faced Arab farm boy in his teens with a checkered head scarf and a tattered gray jacket over his grass-stained nightshirt. The sweat ran into his eyes as he stuttered in Arabic, and he wiped it away with a corner of his scarf. He gestured out over the stoop of the house.

Standing in the white sunshine were three people—a weathered farm woman in black burlap carrying a sallow, undiapered baby with a silver anklet, and a little girl. The girl was standing on one leg like a pelican, holding a tan burlap *abba* around herself with clenched fists.

Margaret pulled a straight wooden chair into the hallway and motioned the family in. The old woman came first, and sank into a corner on the floor, her black garments falling in a wide circle around her. The boy stepped down from the stoop, lifted the little girl in his arms and set her upright on the wooden chair. Then he went out.

The little girl sighed and relaxed, and the *abba* fell away from her legs. One stuck out almost straight from the knee. Thigh, ankle and foot were swollen to three times their normal

size. Her eyes were glazed and she let the flies settle on her pale face, with its four blue tattooed dots, without brushing them off.

"Farouk!" Margaret called.

A curly-haired young man in a rumpled sport shirt and blue wash slacks appeared behind her. He was Farouk David Khalal, an Iraqi on leave from the US Information Service offices in Baghdad, where he catalogued classical music. He was serving as interpreter to the Point Four photographer.

"I know I ought not to have a man here while I examine this girl," Margaret began apologetically. "But do you think it would be all right if you interpreted for me?"

FAROUK stayed. The old woman did not object. As for the child, she did not even look up when she was spoken to; the old woman answered the questions.

"This is Khadmia," Farouk said, pointing to the girl, "and here is her granny with her. It was Abdul, of her tribe, who brought them here. They are serfs—no, you call them sharecroppers—of a sheikh. A little boy of the tribe told them that you help sick people. They have been walking all morning to get here. But it was slow because Abdul had to carry Khadmia."

Two huge tears slowly streaked down Khadmia's cheeks. Margaret's cotton swab had uncovered a two-inch slash in the little girl's foot. It was old, unhealed.

"How did it happen?" Margaret asked crisply.

From the harvest, was the grandmother's answer. Farmers' children always cut their feet on the stubble.

Aside to Margaret, Farouk said quietly:

"Perhaps Khadmia has been beaten, and her grandmother does not want to admit it."

Margaret looked outside to be sure there was no man on the porch who could overhear: "Ask her."

The grandmother seemed undisturbed. No, no one had ever beaten the child. She was a good girl, twelve years old now, old enough to be useful in the fields.

Margaret was resigned for the moment. "All right, all right—just try to explain to Khadmia how to keep this thermometer under her tongue."

She tried again. "Ask Granny how she thinks the child began to be sick."

Granny looked surprised. Farouk translated her answer: "Who knows? It was the will of Allah."

Margaret withdrew the thermometer and read it twice to be sure she was not mistaken. Then she turned to Farouk. "We can't treat this by any home nursing tricks," she said. "Looks like tetanus."

There was silence for a minute. Farouk did not translate, and Margaret seemed not to notice.

"Would you mind going over to the post office and telephoning the hospital in Kut? They have the only ambulance in the province. It's only twenty miles from here. If the driver leaves at once, she should get there before dark."

Farouk nodded, and opened the door. Off to the northeast the mountains of the Iranian frontier shimmered in the heat like mirages. Slowly, Farouk walked down the settlement's one street of sun-baked mud toward the one-room post office. As he sought the narrow strip of shade alongside a small building, a head bobbed up at the window. It was the photographer, Tony.

"Going for mail?"

Farouk explained his errand.

"Well," Tony grumbled, "I couldn't sleep anyway. Come on, let's ride bus."

"Ride bus?"

"It's American slang. I used to cover Bellevue in New York, and that's what the internes call riding the hospital ambulance," explained Tony. He pointed toward the green jeep truck parked outside. The fading stencil on the tail gate read: TECH COOP ADMIN BAGHDAD.

"I mean, let's take the truck—it's technical assistance that's wanted, isn't it?—and drive the little girl to the hospital. *Yellah!*" (Arab for "Let's get going").

A FEW minutes later, Margaret, Khadmia, and her family were all gathered around the truck. Tony was busy blowing up an air mattress stamped US NAVY.

"She'll be better off lying down on this in the back of the truck," he gasped between puffs.

Farouk led the grandmother aside and sought out Abdul, who had been squatting patiently on his heels in the shade of the house. He explained that Khadmia needed a real doctor.

Abdul answered that she could not go to Kut without someone from the tribe to accompany her. Granny had to stay with the baby, so he, Abdul, would go along. Farouk nodded absently. The grandmother listened impassively. Then she turned and started off across the fields.

Abdul lifted Khadmia onto the floor of the truck.

"Now, baby, lie down with your

Khadmia *props herself upright in the truck for the long ride to the hospital, and tries to stretch her swollen leg. Crouched beside her is her fiancé, Abdul.*

foot—this way," Tony motioned. But Khadmia only whimpered and sat upright, clutching a post at the back of the truck with both hands. There was a spate of talk between Abdul and Farouk.

"She is too old to lie down where a man can see her. It is shameful for her to do so," Farouk explained.

The photographer doubled the mattress over in a corner. "All right, then let Abdul sit here. She can lean on him and rest her leg straight out."

THE road was a pair of deep tire ruts in the earth shoveled up to make the irrigation canal. It was ten feet above the surrounding desert, and in many places less than ten feet wide.

Today the sun glared right into Tony's eyes, and he saw only ruts and bumps. He had meant to drive very slowly, but he was nagged by the thought that there might not be much time before Khadmia's jaws began to tighten—if Margaret's diagnosis was right. He shaded his eyes to look into the rear vision mirror; little Khadmia's cheeks were already wet with tears from the pain of the jouncing.

By watching her reaction to different speeds he discovered that Khadmia cried least at about ten miles an hour. Shifting gears every thirty seconds on the high-silled culverts, he held the needle at "10." His face grew white with strain.

It seemed like days before the leaning smokestack of the Kut brick factory smudged the horizon. Tony dodged a pothole as he turned off the canal road, and winced as Khadmia cried out. And then he was beeping and bulling the truck into the bazaar where the Iraqi physician to whom Margaret sent her "patients" had his clinic.

__Dickey Chapelle__ and her husband, Anthony, traveled through India and the Middle East for two years as an official photographer-team for the US Point Four program. They took the pictures which illustrate this story.

Abdul climbed down over the tail gate, waited until Khadmia had hopped across the truck, then lifted her across his shoulder. The four began a hasty climb up the long flight of blue stone steps leading to the doctor's office.

THE tile-floored waiting room with its rattan furniture was a mosaic of suffering: men in Eastern dress, men in Western dress, and men in ragged bits of both. They waited quietly, some seated, some squatting on their heels. With Tony in the lead, Khadmia's deliverers picked their way through the crowded waiting room to the doctor's office.

This was Dr. Fadhil al-Saidi, physician to the seven thousand schoolchildren of the province. He held out his hand.

Farouk and Tony, both speaking at once, cut short his greeting. When they had finished, he nodded, took Khadmia into an alcove, and returned several minutes later, his face grave.

"No, it's not tetanus," he said. "But it will be what you laymen call blood poisoning unless we treat her with antibiotics right away. Did you know that we have them here now, quite a lot of them?" He smiled. "We will take her to the hospital tonight. By tomorrow morning, I am sure we can save her leg. Now wait, I must tell the man from her tribe." And he motioned to Abdul, who was waiting just outside the door, to come into his office.

The doctor began talking; first, he looked up surprised, then he became emphatic, finally coaxing.

Abdul's expression did not change. He simply interrupted over and over again with a few short sentences in Arabic, always ending with *"La"* (No). Farouk turned to Tony.

"She's not going to the hospital," he said flatly. "She cannot stay in the same city with Abdul away from her tribe."

"But she will lose her leg!" Tony exploded. "And she may die."

"She can't stay," Farouk translated Abdul's edict.

The American was angry now. "You tell him," he said slowly, "that *I* won't drive her back over that road to die."

It was perfectly quiet in the office. Then the doctor turned toward the photographer.

"Please," he said gently, "I must ask you to try to understand. I know it is difficult.

"Abdul understands that Khadmia may die if she is not permitted to go to the hospital here. But

***From the road** to Kut, which runs through the desert alongside the irrigation canal, can be seen a low mud village like the one Khadmia lived in. Here live the Bedouin sharecroppers who farm the irrigated land.*

she is betrothed to him. They are not yet married. And it would be better for her to die than to break a law of the tribe, and live.

"The tribe trusts no witness but its own people. There is no one in Kut who could testify that although Khadmia and Abdul remained a night away from the tribe together, they did not . . . stay together. So if Khadmia remains here, and we cure her, she can never go back. Unless, of course, her father kills Abdul."

TEN minutes later, they were back in the truck again. By now the sun was low and the gray shadows hid the bumps until it was too late to slow down for them, even at ten miles an hour. A few miles out of town, Abdul signaled to stop.

In Arabic he asked Farouk if the foreigner would like to take a short cut. Farouk said *bella* (by all means).

Abdul explained that Khadmia's village lay only a short distance off the canal road well before Kilometer 29. The truck could reach it before dark, he promised. And the desert was far smoother than the road.

Khadmia whimpered again. The truck nosed into the desert. Minute after minute it ground through sand and desert brush. The road disappeared across the fading horizon. The desert was now pearl gray in the dying light. There was no village to be seen, but Abdul insisted that they were approaching it. He directed the truck in a wide circle. Tony objected. Abdul said they must, because only a horse could go direct.

Abdul, a true Bedouin, had read the first evening stars correctly. Presently a clutter of mud huts and black goats'-hair tents appeared over the desert's rim.

Now they came to the edge of a sea of tough wild grass. Abdul muttered that this was as far as the truck could go; he would carry Khadmia the remaining few hundred yards. He dropped from the truck, lifted Khadmia clear and put her over his shoulder. Then, slowly, without a backward glance, he began to pick his way unsteadily between the clumps of grass toward the village.

POCKET-SIZE REPUBLIC IS OUT OF POCKET

POOR but shrewd San Marino, the world's tiniest and oldest republic, has just refused a British war damage offer of £26,000 ($75,400) rather than compromise its "rightful claim to compensation."

The Republic, a 58-square-mile mountain enclave inside Italy a few miles west of the Adriatic, has been on the financial rocks ever since the close of World War II. The annual deficit has reached 500 million lire ($700,000)—San Marino has a customs union with Italy and uses Italian currency—and neither the two Captain-Regents of the republic, Mariano Ceccoli and Domenico Morgante, nor any other state employee, has seen a government paycheck for months.

The dispute with Britain originated in World War II, when, on June 26, 1944, Allied planes dropped 243 bombs on the Republic's territory, killing 63 persons and destroying 203 houses.

After the war, through the good offices of Switzerland and the Vatican, San Marino presented a bill for 732 million lire ($1,125,000) to both the United States and Great Britain, since it didn't know the nationality of the Allied raiders. Washington answered, "Okay, why don't you apply to London?" and London replied, "All right, let the Yanks pay." Finally it was established that the attack had been carried out by the RAF. The British found San Marino's bill a trifle stiff, and refused payment.

San Marino sought to bring the issue before the World Court, but that tribunal politely declined the case. As the Regents badly needed those 732 million lire, they addressed a message to Queen Elizabeth asking her to intervene personally with Prime Minister Churchill and see that San Marino got its deserts. Somehow the letter never reached Her Majesty.

Finally, the Grand Council—the Republic's parliament—cut the claim to 437.5 million lire. Britain countered by offering the £26,000 (not much more than ten cents on the dollar), which Financial Secretary Gino Giacomini refused on February 10.

The transformation of Italy into a Republic has dried up what was once a major source of revenue. This was the bestowal of San Marinese nobility —which carried with it the title of "Patrician"—on foreigners, mostly Italians, whose distinguished service to the Republic was backed up by substantial cash contributions.

The remaining major foreign exchange source is the sale of stamps. When the customs and currency union went into effect, San Marino cannily kept its own postal system, knowing that fanatic philatelists would buy new issues as fast as the engravers and printers could turn them out.

THE only new source of revenue to which the Republic can look is Rome, which pays San Marino 90 million lire annually under the customs agreement. But the chances are not bright, for in 1952, Italy was asked to increase the sum to 200 million lire, and turned the request down flat.

Three years before, San Marino had deeply irked the Italian government when it permitted a Balkan adventurer, appropriately named Maxim Maximus, to open a gambling casino. Premier De Gasperi launched a veritable cold war against the Republic: economic blockade, police cordon, and blacklisting of all Italian gamblers visiting the casino. The roulette wheels of Signor Maximus were not oiled against such odds, and before long the casino's grand salon was converted into a gymnasium.

In addition, Rome looks coldly on San Marino because ever since 1945 the little republic has been too far to the Left. In 1952 it again elected a Grand Council which, by Western standards, couldn't be called anything but Communist, and it remains an ideological eyesore to Christian Democratic Italy.

So the San Marinese cannot hope for generous subventions from Rome. On the other hand, their country is so small—one-sixth the area of New York City—that they will probably have to wait a long while before anyone in Moscow even notices it in the atlas.

The Fisherfolk

The big net comes in with a final heave-ho from the men of the village. The catch is small, only thirty pounds, but on lucky days the sea goddess fills it with two tons of fish.

To haul the net inshore where the men can seize it, the women of Kamogawa must tramp round the windlass for five hours. They chant ribald songs, the tempo rising as net nears.

# of Kamogawa

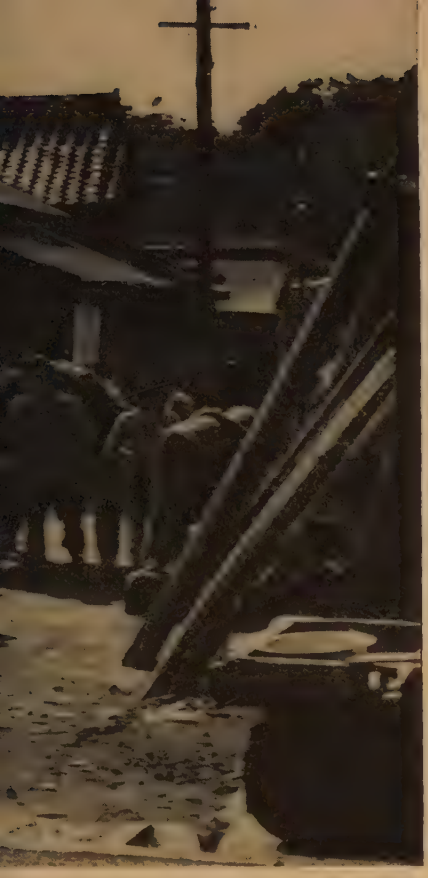
PHOTOGRAPHS BY EMMA GENE HALL

Crowded on their rocky islands, the Japanese must go down to the seas around them for food. From a dense coastal fringe of little fishing villages like Kamogawa (right) have come shrewd seamen for the Imperial Navy of the past and the growing merchant fleet of today. Those who remain behind in Kamogawa still draw their whole livelihood from salt water in a more direct and primitive way—afloat in trawlers, seine-netting alongshore together, diving alone from the rocks.

CONTINUED ON NEXT PAGE

Up Kamogawa's main street the fishermen pull their sodden load of nets. They have to work together; hence they sell their catch together, through a local cooperative.

The endless work of mending nets is picked up at home by a man using both hands and feet. Watching is his grandmother, who has retired from sea to kitchen.



No taboo keeps young girls from diving for abalone as their grandmothers did. They stay down for almost five minutes; the tub they carry floats over the spot.

Muffled against the weather, a trawler crew puts out on a gray dawn. The men never allow women on the boats, lest they offend the sea goddess and bring bad luck.

Behind Nehru's

As a "great power" rising in the

Anti-US parade, *a mile long, is staged in New Delhi by ruling Congress party to protest arms aid to Pakistan and endorse Nehru's independence of the West.*

TO MANY Americans, India's foreign policy seems almost as contrary and frustrating as that of the USSR. It is perhaps even harder to understand, since the USSR is generally acknowledged to be an alien and hostile power, while India has always been considered a friend of the West. In the last two years, some major Indian moves have been so opposite to US purposes that this traditional estimate has been revised by part of the public, to the accompaniment of charges that India is "playing the Communist game."

This suspicion and bafflement among Americans stems from the apparent contradictions in Indian policy. In Korea, India has insisted on strengthening the authority of the UN, and on compromising all possible issues between the US and the Soviet bloc; yet, in her own "cold war" with Pakistan over the disputed province of Kashmir, India has tried to limit UN jurisdiction, and delayed a compromise for years. When Indian Communists launched a campaign of violence in 1948, Nehru's answer was harsh, effective police action; yet India shows an attitude of tentative forbearance toward Communist disorder on the international scene. Not only has India flatly refused to join any US-sponsored defense system against Communist aggression, but currently Nehru is doing his best to prevent Pakistan from joining. This conflict has brought Indian-US relations to their most outspoken crisis yet.

Such clashes have become a regular feature of the relations between the two countries since World War II, much to the surprise of many Americans. For until 1947 their few contacts had been consistently, even sentimentally, friendly. India, still a colony, and the United States, with its limited role in world affairs, shared a belief in fundamental political values. They both approached international politics from a highly moralistic point of view which gave them a sense of spiritual affinity and of superiority over other nations.

The war changed their status, and with it their happy relations. With freedom to the one, and with world leadership to the other, came responsibilities which shocked them out of their state of international innocence. They are now forced into a kind of international behavior—fundamentally distasteful to both—

Foreign Policy

East, India disputes our right to defend Asia

By WERNER LEVI

determined by the system of sovereign states to which they belong and which they help maintain. In such a system foreign policy becomes an unending quest for national security to which every other consideration, moral or material, is subordinated. The need to guarantee the nation's survival makes expediency, based on self-interest, the determinant in the actions of nations. The inconsistencies, contradictions, and even hostilities, which Indians and Americans discover in each other's foreign policy will disappear if classified under the heading of "self-interest."

Their rivalries and suspicions could be reduced to almost nothing were the relations between the two countries confined merely to issues arising directly between them. But in the pursuit of their aims, both India and the US are now applying pressure in expanding spheres of interest which overlap. With the development of the cold war and the entanglement in it of almost all issues, their position with regard to each other is governed by their position in the world.

The Guiding Rule: "India First!"

There are those—mostly in the Occident—who do not recognize that the very nature of international politics is the cause of Indian-American friction. They maintain that the reason why India has not moved into the Western camp is to be found in her Asian ideology.

Unfortunately, the struggle for enough power to guarantee national survival leaves little room for the application of higher values and beliefs; it forces all nations, whatever their culture, into a common pattern of international action. Moreover, few Indian leaders are bound by the narrow limits of a specific culture; they have cosmopolitan minds. Indeed, the roots of India's nationalism and of her political system lie in the Western-dominated nineteenth century, especially in its materialistic aspects, and not in some unspoiled Indian culture of the distant past.

Indian nationalism, while affected in a general way by its environment, is today manifesting itself in the same forms in which nationalism is to be found anywhere else in the world. Nehru himself expressed the essence of modern nationalism in a foreign policy debate: "I am on my side, and on nobody else's."

Nehru's frank statement also describes the essence of India's neutral, or (as the Indians prefer to call it) "independent" foreign policy. They dislike the term "neutrality" because it suggests reluctance to take a stand or to act, which is certainly not characteristic of Indian foreign policy. Indian statesmen are more forthright in their statements, and more lavish with praise or criticism, than are most of their foreign colleagues. And India is actively, even boldly, pursuing her goals, which are freedom, peace, and plenty.

The basic reason why India has chosen an independent policy to achieve these goals is simple: Indians feel that India is a big power. This feeling is based, not on India's material strength today—"We are not strong enough to play fast and loose with other countries," Nehru remarked last December—but on moral strength.

Indians draw their moral confidence from a not unrealistic estimate of their country's international significance. India's millions make her the second largest country in the world, and by far the most important of the new Asian states freed from colonial rule after World War II. Here is one of the world's oldest and most creative cultures. As a great power, albeit still in the making, India already claims the right to make her own judgments and decisions in world affairs. Indians guard this right all the more jealously since, as a newly independent state, India has not had her position in the world confirmed by history; it must be established in the years to come amid intense competition.

Indians, therefore, have their own ideas about their country's needs, its special role in South Asia, its re-

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Trans-Siberian R R
U S S R
Alma-Ata
IRAN
AFGHANISTAN
SINKIANG
KASHMIR
PAKISTAN
Indus River
Karachi
New Delhi
TIBET
NEPAL
Lhasa
BHUTAN
INDIA
Ganges River
Bombay
Calcutta
PAK-ISTAN
ARABIAN SEA
Madras
BAY of BENGAL
CEYLON
Ken Jagg

Nehru's Foreign Policy *continued*

lations with other states. These ideas do not necessarily dovetail with those of the United States, the Soviet Union, or any other country to which India is, after all, of only secondary importance. India's attachment to one of the two camps in the cold war would predetermine her course of action, regardless of her special interests in any given situation. Consequently, Indians feel that only an independent policy can satisfy their requirements as a great power. Besides, as Nehru once pointed out, neither America's nor Russia's foreign policy has been so spectacularly successful that everybody should wish to follow it.

In charting their own independent course, Indians have a number of motives. Above all, they hope to keep their country out of war. In their opinion, the delicate but stable balancing of forces in South Asia has created an "area of peace" from which all disturbing outside influences must be banned—after the fashion of the Monroe Doctrine. The effect of such an area, they hope, will be to maintain peace not only in South Asia, but in the world. For, so Nehru argued recently, if there were "a perfect and absolute division into these two groups all over the world," then war would be "terribly near, and would take place."

In Indian eyes the American plan to supply Pakistan with arms will not only bring strife to a now peaceful area, but defeat its avowed purpose of halting Communist expansion. It will rekindle the conflict between India and Pakistan. It will thereby widen the opportunities for communism, since India may feel obliged to use her meager resources for rearmament instead of social improvement. It will involve Pakistan in the US-USSR struggle and, in Nehru's words, bring the possibility of world war "right up to our doors."

The difference of views on arms for Pakistan stems from the more fundamental difference between US

◀ ASIA AS NEHRU SEES IT

The Indian subcontinent is the central mass in South Asia, commanding all east-west land routes south of the Himalaya Mountains. Although India is semi-detached by great seas on either side, her northern territory is interlocked with Nepal, Burma, and Pakistan like a jigsaw puzzle. In the disputed province of Kashmir this is a hostile intimacy; Indian and Pakistani armies face each other across a six-year-old truce boundary (dotted line). Only the vast buffer of the Himalayas separates India from the overwhelming Communist mass of Siberia and China. Now that China has occupied the former "no-man's land" of Tibet, joint Chinese-Soviet development (as in Sinkiang) could bring effective Communist power right down to the Indian border along the old caravan route to Lhasa.

and Indian evaluations of the Communist danger. This is another powerful motivating force behind the independent policy. Among Indians, the conviction is widespread that the threat of communism to South Asia is not military; rather, it lies in the economic weakness of the region. While New Delhi is as anxious to contain communism as Washington is, the Indian government believes that the proper way to do so is by demonstrating to Asians the superiority of social democracy over communism. This, say Indian leaders, can be done, not by arms pacts, but by keeping the area out of the cold war and devoting all its resources to economic progress during "one generation of peace."

Should these calculations prove wrong, should war come to Asia, an independent policy would at least enable India to choose her allies. There is no sense in putting all your eggs into one basket, Nehru reminded one audience amid applause. And, during an election campaign in February, he countered accusations of fence-sitting by assuring his listeners that India would sit there as long as she found it comfortable. "Anyhow," he said, "we aren't going to be ordered about."

Nehru's quips are appeals to emotion as well as reason. They cater to the extraordinary sensitivity toward any semblance of outside control which Indians developed during their struggle for freedom. By stressing freedom of choice and action, Nehru is making a skillful psychological play on the internal political grounds he knows so well. For, while his foreign policy commands support at home, it is not unchallenged.

Communists naturally charge that it follows the orders of Wall Street (the government usually ignores their criticism). Some businessmen and intellectuals would prefer more outspoken cooperation with the West. Socialists favor Indian sponsorship of a Third Force in South Asia. Hindu extremists call for more defiance of the Moslem states, even at the price of close ties with Communist countries, if the United States helps Pakistan. Were Nehru to favor one side or the other, he would provoke stronger resistance from some of these groups. At present, the opposition finds it difficult to attack effectively a policy in which independence is represented to the people as one of the fruits of their struggle for freedom.

A Leader Needs Followers

Another imponderable but none the less real motive behind the independent policy is the desire among many Indians to make their country a leading nation in Asia. This ambition, rooted in a desire for power and prestige, is often disclaimed for the diplomatic record. But it has been conspicuous in the statements of prominent Indians for the past seventy years.

This hankering for leadership is strengthened by an awareness of the necessity for it if an independent policy is to be realized. Were India surrounded by states involved in the cold war, her independence would quickly become not-so-splendid isolation. To avoid this, India must show her neighbors that an independent policy is both possible and desirable. Moreover, unless India can keep them on the same path, there can be no "area of peace." Hence Nehru's appeal, occasionally backed by pressure, to all neighboring countries, all countries of Asia, to share India's attitude.

Lest this be interpreted in Asia as a bid for domination, Nehru last December told the Indian Parliament that "we have had far too much leadership in this world." He stated, somewhat ambiguously, that India was acting under "the compulsion of events. . . . It was no particular desire of ours to play a big part in international affairs . . . but circumstances were such that we could not escape that responsibility. And year after year our responsibilities have grown."

There is much truth in Nehru's description, but India has also helped history along. Not all of India's actions can be traced to a desire for primacy, but they usually enhance her position in Asia if only as a secondary effect, and sometimes they imply a clear bid for leadership. This is most apparent in India's attitude toward the international organization of Asia.

Nehru's "area of peace" splits

Garlands *for Pakistani Prime Minister Mohammed Ali (left), as he arrives at New Delhi airport, symbolize Nehru's effort to include his neighbor in the Indian bloc. The two have met repeatedly to discuss Kashmir.*

Ever since the First World War, Indians have cherished the idea of an Asian union with India as its pivot. They thought that the chance to realize this dream had come with freedom in 1947. Enthusiastically, India assembled the first All-Asian Relations Conference in Delhi. Every Asian state was represented, but to no lasting effect. Indians learned that an Asian organization was impractical because Asia was not a unit. Their common struggle against imperialism and racism had given the Asian countries a sense of solidarity, but it was not strong enough to overcome their diversities.

At the conference, India competed with Nationalist China for prominence. The Middle Eastern countries —oriented toward the Mediterranean rather than toward Asia—showed no interest in the proceedings. The small states of Southeast Asia were afraid that India or China would dominate any formal organization. A later Asian conference, called by India in 1949 to help Indonesia in her struggle against the Netherlands, was frustrated by the same difficulties, aggravated by the growing intensity of the cold war.

Since 1949, India has made more modest attempts to link the countries of South and Southeast Asia. Nehru has stated that he was not thinking "in terms of India as the leader of Southeast Asia or dominating this region, but rather as cooperating with other countries in building up a common sphere of action." To some extent he has achieved this by fostering close and continual contacts among the countries of the region, and by supporting the Colombo Plan of the British Commonwealth for the economic development

along the Kashmir battle line

Guns *for the Women's Defense Corps in Kashmir, here beiny reviewed by Nehru, show his determination to protect at all costs India's interests in the strategic province where Indian and Pakistani troops clashed in 1947.*

of Southeast Asia. As a result, India can usually count on her policies being supported by Burma, Ceylon, and Indonesia, and often by other countries such as Afghanistan. These nations have shown they are willing members of the "area of peace" by backing India's protests against US arms aid to Pakistan.

India's ties with the Middle East are looser, though no less friendly. Attempts to commit the Moslem countries to membership in the "area of peace" have been less successful than in Southeast Asia—notwithstanding Egypt's sympathy with the current Indian objections to arms for Pakistan. The closest India has come to realizing her ideal in the Near East is the coordination of policies in the United Nations achieved by the Asian-Arab bloc. And this combination of states is not a true "bloc"; rather, it is a limited understanding that they will consult and cooperate on specific UN issues in which colonialism is a major factor.

In order to preserve the "area of peace" which is vital to her independent policy, India has steadily resisted any attempt to draw other Asian nations into an organization in which India was not guaranteed an influential role, or in which cold war "combatants" would be members. Hence India opposes a Pacific defense pact, in which Asian nations would be joined by other states stronger, possibly, than India (such as the US), and certainly more committed to the cold war (such as Australia and New Zealand). In 1950, India blocked all progress at the Baguio conference in the Philippines, where South and Southeast Asian nations, together with Australia, considered forming a "non-Communist" bloc to operate within the UN.

Now India is agitating furiously against a Middle East defense system, or at least against Pakistan's membership in it. Nehru gladly accepted the proposal by Ceylon for a conference on neighboring South Asian states (including Pakistan) to meet at Colombo in April to discuss "problems of mutual concern." Pressure will undoubtedly be put on Pakistan to keep aloof from the Middle East defense system and to accept an Indian substitute. Characteristically, this is a network of mutual non-aggression pacts among South Asian states which would strengthen the "peace area."

Independence in the Limelight

The lone determination which India shows in Asia is dramatized in the United Nations.

Indians regard this truly international forum as an excellent showplace to demonstrate the feasibility and usefulness of independent decisions by every nation. Madame Pandit expressed this conviction when she said: "We shall offer our support to, or withhold it from, the proposals that come before the members solely in the light of our judgment of the merits of the case in question." The late Sir Benegal Rau added that "a country might make mistakes but, even if it stood alone, it would be reassuring to the world to realize its integrity and its freedom to act as it thought right." By her voting record India proves that these are not empty words, that her decisions are not determined by those of other, more powerful nations.

India feels obliged to emphasize her independence in this international body because she claims that Asia is underrepresented, that she must speak for Asian nations other than herself (*viz.*, India's claim to a seat at the Korean peace conference), and because she hopes to encourage other members to behave similarly. The larger the independent vote, the greater, in India's opinion, might be the UN's contribution to peace.

The reasoning behind India's independent policy shows Nehru to be neither "dreamer" nor "idealist," but a calculating statesman. His calculations may turn out to be right or wrong, but they are based on India's interests in the world of power politics as seen from

New Delhi. From that perspective careful maneuvering between the great powers still seems to be the most desirable course, both for India's security and for pointing an alternative road to peace. What looks like veering from one side to the other merely shows the determined independence of the helmsman. Guided by Indian interests, India is not siding with one or the other power as issues arise, but simply taking her own stand, which may happen to coincide with the stand of another power.

With Communism, "It's Wait and See"

Independence of action does not mean, of course, that India can ignore the policies of other nations, especially those of the United States, Soviet Russia, and Communist China. India has learned, as has the US, that foreign policy is as much reaction as action. The Indian government's and people's conception of the nature and background of American and Communist policies naturally affects the position they themselves take.

Leading Indian statesmen have shown full understanding of the Communist danger within India, and utter repugnance to Communist political practices inside Russia and China. But their recognition of the nature of communism does not commensurately affect their relations with Communist countries or their interpretation of Communist international behavior. While there is a great deal of anxiety over future Communist moves in Asia, there is also a wish for good-neighborly relations. Communist foreign policy is not considered to be different in its sources and motivations from that of any other form of government.

Consequently, India reacts to the USSR and Red China just as she would to any other country. China's actions are regarded as the expression of nationalism, preferably Asian nationalism, rather than communism. China's intervention in Korea and her occupation of Tibet are explained largely as security measures rather than imperialist expansion, although both moves are condemned as illegal aggression. The government of Mao Tse-tung is approached as a sovereign, independent government, fully supported by the Chinese people, which should not be driven into dependence upon the USSR by isolating it from the rest of the world.

Contributing toward a benevolent interpretation of Russian and Chinese foreign policy is the simple element of geography. The vast bulk of Communist Asia presses down on a thousand miles of India's northern border, while aid from the democratic world is thousands of miles away.

A more potent factor is the fascination of many Indians, especially young people, with the Communist experiment and its ultimate fate. Throughout their existence, the USSR and, later, Red China have understood how to make themselves and Communist doctrine attractive to Asians by enlisting the emotions of nationalism, anti-colonialism, and anti-racism.

What has impressed Indians more than anything else, however, is the growth of the USSR from an underdeveloped nation to an industrial world power within one generation. They are now watching China to see whether the Russian feat can be duplicated in Asia. Should China succeed, especially should she succeed before India does in realizing some of the Asian dreams of a better life, the inference will seem obvious to a great many Indians. China, they somehow feel, should be given a chance; she should not be hampered by outside intervention in any form. They are inclined to resent measures taken by the West against Communist China for her role in the Korean aggression as being now directed against an *Asian* rather than a *Communist* nation. This is, of course, an emotional reaction, a waning aftereffect of the common Asian struggle against colonialism, which still inclines Asians to take any other Asian's side against the West.

Despite these sympathies in the minds and hearts of many Indians, they are finding it increasingly difficult to maintain a benevolent appraisal of Communist China's foreign policy. The Chinese invasion of Tibet, Communist intrigues and uprisings in Nepal and other Himalayan border areas, the invective heaped upon India by the Communist press after the release of the Korean war prisoners—all these happenings have shocked Indians.

These shocks have led the government to take precautionary defense measures along the northern border; to maintain closer ties with Great Britain and certain other members of the Commonwealth; to a softening of the adamant Indian rejection of colonialism in such sensitive areas as Indo-China, Malaya, and the Near East. In his major parliamentary address on foreign policy last December, Nehru confirmed that he did not expect an end to colonialism "overnight" and he did not mention any of the Asian colonies.

India's new doubt as to Communist intentions could lead to closer relations with the US even if they are unlikely to deter her from following an independent policy. Most Indians feel that Red China's potential threat does not yet outweigh the advantages which they expect from independent action.

The Sahib's Burden: Suspicion

In evaluating American policy, Indians are still affected by the Western record of imperialism in Asia. Memories of the past befog the issues of the present. They prevent many Indians from seeing clearly the different motivations which lie behind similar actions. The influx of foreign capital is still suspect as the vanguard of "exploitation" and is not easily acknowledged as aid. American soldiers in Asia are symbols of West-

(*Continued on page* 70)

How are we doing abroad ?

It may come as a surprise to Americans, but WORLD correspondents report that today the US is being judged by the activities of Senator Joseph R. McCarthy.

Specifically, they say, American leadership of the free world and that world's respect for President Eisenhower were gravely weakened by the Wisconsin Senator's apparently successful defiance of the US Army and the President himself in the Stevens-Zwicker row. Here are their cables:

PARIS

George W. Herald reports:

The French government, on the basis of a survey conducted in February by its diplomats, is convinced that Senator McCarthy's influence in the US is on the increase—and may well presage a new American isolationism.

McCarthy's growing strength is indicated by reports from French consular authorities in ten key cities: New York, Boston, Detroit, Chicago, Denver, San Francisco, Los Angeles, Houston, New Orleans, and Washington. These showed that McCarthy's popularity was on the rise almost everywhere, with the largest increases in Texas, California, and parts of the Middle West.

Only in Detroit and other major industrial centers, where Big Business and union leaders are united in opposing him, and in the major universities, were his views encountering stiffening resistance, the survey stated.

A major result of the survey has been to strengthen further the foes of EDC, making it virtually certain (WORLD, mid-monthly issue, March 15) that the National Assembly will defer action on the issue at least until after the projected Geneva Far East conference, with Red China participating, opening April 26.

Another consequence is the determination of the Laniel government to conduct its foreign policy with greater independence and with much less deference to the views and wishes of Washington.

The first sign of the new French diplomatic initiative was at Berlin, when Foreign Minister Bidault persuaded his US and British colleagues to agree to the Geneva talks.

The second was Premier Laniel's statement that an Indo-Chinese armistice was possible before Geneva—provided the Viet Minh forces and Red China accepted French terms.

French leaders fear that, because of the bitter controversy inside the Republican party over the Senator's methods of investigation — and his apparent defiance of President Eisenhower—US action in the international field may be partially paralyzed until after the Congressional elections.

Korean Republic, Seoul

The bonds of friendship

LONDON

Cecil F. Melville reports:

Dismay and even consternation are being felt throughout Britain as the result of what is regarded here as Senator Joseph R. McCarthy's victory over the Eisenhower administration in the Stevens-Zwicker dispute.

The high US prestige enjoyed because of what seemed to be a firm assumption of leadership by the President has been almost entirely dissipated. In its place, there is a growing fear that, if the McCarthy triumphs continue unchecked, a serious psychological strain will be placed on

Krokodil, Moscow

"I speak for China!"—Chiang

NATO and on Washington's leadership of the free world.

The statements issued by President Eisenhower and Defense Secretary Wilson have done little to restore British confidence in the US Executive. The President's statement, in particular, was considered belated and over-cautious.

Mr. Eisenhower, by being "unavailable for comment" at the crucial moment when Stevens was so desperately seeking his support, is considered to have "let down" a loyal subordinate —to the British, the almost unforgivable sin.

The practically unanimous—and perhaps slightly smug—comment was: "It couldn't happen here; the imagination boggles at the very possibility."

Blame for the development, which it is believed was personally most distasteful to the President, is laid in many influential quarters on Vice President Nixon and other Republican leaders, whose major concern is party unity to ensure victory in the autumn Congressional elections. *The Times*, of London, stated:

"A party which can combine the vast respect and admiration felt for President Eisenhower by a large majority of the American people, regardless of party, with the undoubted emotional and political satisfaction provided by Senator McCarthy's skillfull and uninhibited forays against the supposed misdeeds of men in authority can have high hopes of winning elections, and this is election year.

"Meanwhile . . . there is no sign whatever that Senator McCarthy is likely to be stayed in his course by foe or by friend. His graceless and demogogic comments on the President's statement certainly bode no good. It was said a year ago that only the President himself could halt him—by direct action. And meanwhile the corroding effects of politics by smear and purge run through large sections of American life—an offense to liberal-minded men, who hate Communists, everywhere."

A ray of hope in the situation is seen by many influential officials in Secretary of State Dulles' depriving Senator McCarthy's friend, Scott McLeod, the Department's security chief, of authority over personnel. Noting that McCarthy had demanded an "explanation," a Whitehall veteran commented:

"Many of us, who have come into contact with Mr. Dulles in London, Paris, and Berlin, believe that he is a much tougher proposition than Mr. Eisenhower.

"We have the feeling—or at any rate the reasonable hope—that the Senator will not be able to browbeat the Secretary of State. And, if Mr. Dulles should make a successful stand, then perhaps Mr. Eisenhower will take heart."

BONN

Emlyn Williams reports:

President Eisenhower's failure, in German eyes, to give all-out backing to Army Secretary Stevens and General Zwicker in the controversy over Senator McCarthy's investigative procedure has seriously damaged respect for the US in West Germany.

Al Misri, Cairo

The other side of the coin

Germans are traditionally solicitous of the honor and integrity of officers of the armed services. A prominent Bonn official commented:

"One may ask why a former Communist American soldier shouldn't pull teeth.

"But the conflict is not about an almost forgotten dentist of Communist leanings. It concerns the integrity of the officer corps and the discipline and morale of the Army, whose officers object to being vilified when they do their duty and obey orders."

The McCarthy-Stevens-Eisenhower incident was particularly unfortunate because it came at a time when Secretary of State Dulles' firm stand at Berlin had raised US popularity in West Germany to the highest level in many years.

Linked with the situation in the US is what West Germans consider the almost fantastically exaggerated preoccupation of American authorities in this country with "security," a preoccupation which is also lowering American prestige.

In the latest example, three hundred Germans seeking US-sponsored employment in a plant near Munich were asked not only meticulously detailed questions about their pasts, but also required to furnish five separate good-conduct testimonials, the names of three guarantors, the names of all relatives to the *n*th degree, and evidence as to "active participation" in every party, society, club or other group to which they had ever belonged.

But what capped the performance was the final question: "Are there any black incidents in your life not mentioned above?" To which one of the applicants answered:

"Why don't you try answering that about yourself, Herr Major?"

TOKYO

Sydell Magelaner reports:

The McCarthy-Stevens-Eisenhower controversy added new fuel to the fires of anti-Americanism in Japan. It also gave the anti-US press, eager for opportunities to snipe at Washington,

Frankfurter Rundschau, Frankfurt

Can France keep the Genie bottled?

the chance to call the Senator's methods, which they piously deplored, "typical" of America.

Tokyo's *Jiji Shimpo* said in left-handed defense of McCarthy:

"The criticism that freedom has been lost in America has been made loudly throughout the world since Senator McCarthy began to persecute leftists.

"But his method of inquiry is not peculiar to him. It is common to all inquiries in the US. For instance, when Senator Kefauver tried to stamp out gangsters, many gamblers and ringleaders were summoned to appear before his committee. The proceedings were broadcast by television, which was trampling on human rights and deserved the criticism that it was torture.

"The way the Nye Committee questioned armaments makers also was very rough.

"It is just as proper for investigative committees to examine leftists as rightists. If America should be called morbid for this reason, it must be said that it has never been healthy."

The Berlin decision to hold the Geneva conference with Red Chinese participation increased US popularity in Japan, principally for the paradoxical reason that it was regarded as a sign American influence is declining internationally. Tokyo's largest daily, *Yomiuri Shimbun*, wrote:

"It may be said that the US will be compelled to modify its policy, which may lead to a situation where the withdrawal of the US from Europe and Asia will serve to relax the present world tension, quite apart from the question of the victory or defeat of Communism."

Business circles, in particular, welcomed Peking's invitation to Geneva as a sign that Communist China would shortly receive diplomatic recognition.

This, Japanese industrialists ardently hope, will in turn mean the end of the existing US restrictions on the China trade, and the reopening to them of the vast China market.

The Berlin decision, by the same token, aroused bitter resentment in South Korea, where President Syngman Rhee called it "appeasement . . . coming dangerously close to extending recognition to Red China."

The Seoul *Korean Republic* charged that, at Berlin, the US, Great Britain, and France had "wantonly flouted their pledge to the Republic of Korea and smoothed the way for appeasement unparalleled since Munich."

Similar but less vocal disappointment was felt among the Chinese Nationalists on Formosa, who regard the decision as a further setback to their hopes of reconquering the mainland with US military help.

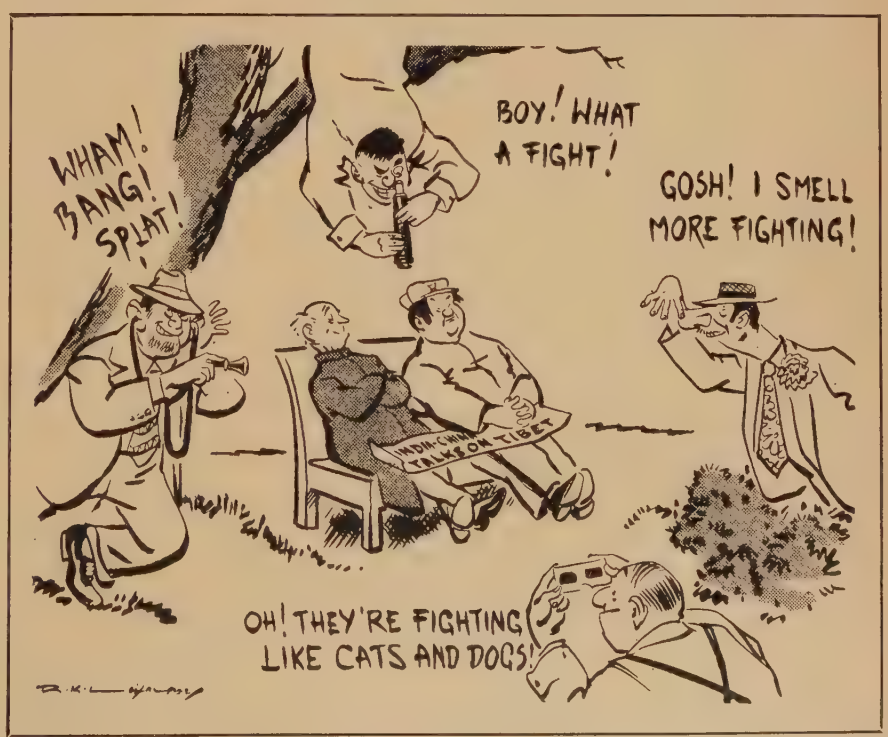
HONG KONG

Ron G. Whitehead reports:

Assistant Secretary of State Walter S. Robertson's announcement that the US intends to maintain a "posture of strength" in Asia and to keep alive the threat of a Nationalist invasion of the Chinese mainland was not welcomed in Hong Kong.

The *South China Morning Post* commented that Robertson's statement would "lead Asian nationalists to think that American Republicans look upon East Asia as an American 'sphere of influence,' and to suspect the US of exploiting world resistance to communism for its own peculiar purposes."

The newspaper added that Robertson's declaration meant that the US intended to remain dominant in the Far East for the indefinite future, and that this attitude could only "stymie" any chance of agreement at the Geneva talks, with Communist China participating, scheduled to begin April 26.



Times of India, Bombay

"Have you heard? We're mortal enemies—Washington and London say so."

Shall West and West Meet?

THE extraordinary concern with which our friends and allies abroad react to McCarthyism indicates more than a lack of sympathy with the investigative manners of the Senator from Wisconsin. It reveals their deep fear that we in the United States are becoming so obsessed with communism that we are incapable of acting wisely and objectively in international affairs.

In Caracas the Latins bitterly compared our eloquence in assailing Guatemala's Communist orientation with our vagueness on the economic problems that are crucial to the hemisphere. In France the neutralists gain ground with the slogan that the US is determined to defend Indo-China against communism to the last drop of French blood. Britain resents our branding her trade with Red China as despicable treason while at the same time we limit our imports of British goods and maintain our high tariffs.

As the danger of a hot war between East and West recedes, the difference in the approach to communism between such friendly nations as France and Britain on one hand, and a great many Americans on the other, becomes ever more striking. Europeans are no slower than we to admit that the Reds are a constant threat to the way of life all of us want to live. What they refuse to admit is that they are fabulous demons who will bring ruin to any nation foolish enough to try to have normal relations with them.

WE in America are permitting the image we have formed of the enemies of our system to become larger than life. More and more we tend to think of communism in absolute, almost theological terms. Even in young Communists, confused and naive, we see the spawn of Satan, the very incarnation of evil.

There are good reasons, both practical and psychological, why we do. We Americans have comparatively little to gain from increased political or economic intercourse with the Communists, wherever they may be. Such relations, however, would be of use and profit to some of our friends and allies. Then, too, we are likely to see a Communist as either a lunatic or a spy, for it is evident to us that a violent change in our system—this open society with its infinite opportunities—would work against all of us, including the man who advocates the overthrow.

In France, however, a Communist is not necessarily a bizarre extremist. He may be the friendly plumber's helper who comes to the house, or the bachelor uncle who is an engineer. The French have not gone through the same economic revolution that we have, and in despair and helplessness any man is liable to advocate desperate measures.

In England, to give another example, a strong distinction is still maintained between "intellectual adventures" and adventures in more ominous, more direct fields of action.

Thus both the national interests and the psychological climate of a specific democracy are instrumental in creating its own attitude toward communism. That such differences among the free nations will one day be dramatically exposed by a major political decision is almost inevitable. We may expect, for instance, that soon the French will find it necessary to buy peace in Indo-China on terms we thoroughly dislike, among them the recognition of Red China and a promise to support her demand for a seat at the UN.

IF THIS should come to pass, the reaction in this country is not difficult to forecast. Powerful voices will demand that we turn our backs on the decadent compromisers and appeasers, quit the Western Alliance and the UN, and draw into our continental shell; that we, the last frontiersmen of freedom, cultivate our liberties and our might in aloof, disdainful self-reliance.

Should this nation heed such a call it would simply mean that we did *not*, in fact, belong to the West. That in the course of our evolution we have moved away from the old basis of Western civilization and have developed our own specific characteristics. And that among these are virile pride in tribal might; a tendency to be swayed less by logic than by emotion; a preference for living by myths at the expense of clear concepts; a yearning for a collective rather than a private conscience; and a somewhat Slav-like preoccupation with saving the world on one's own terms.

Thus, from the heat of crisis, a new citizenry may yet emerge in our land. True, after a mere 175 years of existence, it is difficult to say just what an American is, in what fundamental respects he resembles or differs from his Western blood brothers. But one test is perhaps not far ahead.

Thorkolves

EDITOR

What's Ahead for Business

SYDNEY — Two big American companies are reported getting set to build plants here to manufacture items for sale to the domestic market and to other Pacific members of the sterling bloc.

One of them, Philip Morris, will turn out branded cigarettes, while the other, Coleman Lamp and Stove, will produce heating and air-conditioning units. Both are seeking plant sites in Australia although they already have factories in Atlantic Ocean sterling nations, so as to cut shipping costs by producing closer to the Pacific sterling markets.

BOMBAY — Private American investors have indicated that they will put $10 million into a new Indian Investment Development Corporation. As the Corporation expands, plans will call for additional US financing. This came as a direct result of the recent tour of India by members of the World Bank and US businessmen, among them George D. Woods, president, First Boston Corporation, and Robert Craft, vice-president, American Securities Corporation.

The Corporation will help develop small and medium-scale industries and is sponsored locally by such industrialists as G. D. Birla and A. D. Shroff, representing the Birla and Tata interests.

Woods is said to have received guarantees of security for US investors from the Indian Finance Ministry, although it is not known what form these will take.

BIRMINGHAM—Austin Motors, Ltd., has an initial order to make 25,000 cars for Nash Motors to sell in the US under the name of "Nash Metropolitan." This will be a five-passenger "economy" car which is expected to cost about $1500 delivered to the customer from Nash showrooms. It will have an 88-inch wheel base, will come in both sedan and convertible models, and Nash dealers will carry spare parts made in England.

BUENOS AIRES — The April visit of West Germany's Economics Minister, Ludwig Erhard, is obviously aimed at increasing trade between his country and Argentina. Before World War II, Germany was a major factor here, but since then trade has stagnated mainly because Argentina's unstable price policies have scared off West German businessmen.

Before he agrees to do much about boosting sales and purchases here, Erhard is sure to bring up the question of German marks confiscated during the war. He will undoubtedly ask for partial repayment, but Argentina's exchequer is not likely to permit more than a token settlement right now. Erhard probably will accept this if Peron makes provisions for further payments out of money earned through increased trade. Improved German-Argentine trade relations will mean trouble for US and British manufacturers, who have profited by the disruption of German sales.

LUXEMBOURG—The US is reported to be willing to loan $100 million to the Coal and Steel Community High Authority, for investment in its industries.

Discussions between Jean Monnet and Secretary Dulles were held in Berlin while Mr. Dulles was attending the recent conference. Monnet, chief executive of the Authority, asked for about four times as big a loan as the Americans are supposed to be willing to grant. Reports filtering back here from the talks now going on in Washington indicate that the US has adamantly refused to increase this amount. The refusal is based in part on complaints from some US industrialists that aid to foreign industries does more than just improve the internal position of the recipients: it creates competition with American products—competition that must be financed by American taxes.

MONTREAL—Engineers at McGill University have developed the world's first coal-burning gas turbine engine. It's still an experimental unit, but the government expects to have one installed in a railways locomotive within two years.

Preliminary studies indicate that the operating cost, after installation, will be $12.80 an hour; compared with $25.60 for a diesel—a $50,000 saving per locomotive unit each year.

North American railway men remember the revolution caused by the last great invention in their industry—the diesel locomotive; they also remember that the roads which adopted it showed by far the greatest profits. Naturally they are enormously interested in the McGill engine, which has equal potentialities for stationary power plants, and ships.

The engine operates on the principle of the jet

plane engine, but uses crushed coal instead of kerosene. While the jet engine uses only 10 per cent of the energy produced by its fuel, and conventional steam engines only 6 per cent, the McGill engine is expected to use 25 per cent of the energy supplied by the coal. A locomotive powered by this engine would go four times as far as one powered by steam—on the same amount of coal.

TEHERAN—WORLD has learned that the oil companies involved in the negotiations with the Iranian government to reopen the Abadan refinery have agreed on the percentages each will receive from the "foreign" share of the oil. The Anglo-Iranian Oil Company will get 40 per cent, while the five American firms—Standard of New Jersey, Standard of California, Gulf, Texas Company, and Socony Vacuum—will share another 40 per cent. The remaining 20 per cent will be evenly split by Royal Dutch Shell and Compagnie Francaise de Petroles.

Other information indicates that American and British engineers will operate the refinery and run a training school for Iranian technicians. The job of general manager may go to an American, but it is an even bet that a "neutral," possibly a Swiss, will get the assignment.

BELGRADE — If three goals are achieved, Yugoslavia may be able to dispense with US economic aid in 1955 (total to date: $227.4 million).

According to Tito's economic planners, early discontinuance will depend on whether (1) 1954 brings a good harvest and restores the confidence of the peasants, thus allowing the planners to export wheat instead of importing grain; (2) more export outlets are developed for light industry; (3) Yugoslavia's major creditors, principally West Germany and Britain, grant her request to postpone repayment on short-term investment credits —amounting to $360 million, most of which falls due this year.

Yugoslavs are telling the West that if they were given ten to fifteen years to pay off, repayment would not require more than 10 per cent of their exports and the country would be in good shape.

Agriculture is slated for a bigger share of the 1954 budget, most of which will go to modernize farms. Foreign experts agree that agricultural expansion is the best way to stabilize the economy.

CALCUTTA—The Standard-Vacuum Oil Company now is spending $4 million looking for oil in the Bengal Basin and may invest much more if a strike warrants the construction of a refinery in the area.

According to an agreement with the government of India, which has put up $1 million toward exploration work, the US company has an option to build another 10,000-barrel-a-day refinery near Calcutta if it discovers a big concentration of oil.

Stan-Vac, with its $35 million refinery nearing completion at Bombay, and a new million-dollar Bombay office building, is the largest single (and ever-expanding) block of US investment in India.

LONDON — A number of Western exports now banned as "near strategic" will begin to flow to the USSR and her satellites if the new Churchill plan is accepted. These will probably include diesel engines, locomotives, and motor transport.

It is emphasized here that the move to modify the ban applies specifically to Russia and her East European satellites—not, at present, to Red China.

If the ban is lightened, English manufacturers will be allowed to furnish Russia with about two-thirds of the goods she wants to import during the next three years. Under present controls, only one-half of such goods can be supplied.

MELBOURNE — The first major effort to attract American tourists to Australia is well under way. The Cunard luxury liner Caronia, loaded to the gunwales with Americans and their dollars, docked here early in March. In the same week tourist-class air travel was announced between Australia and the US, and the American Express Company opened a branch in Sydney.

If the drive shows signs of bringing in an important supply of dollars it will create a new field for American hotel operators. To meet US tourist demands, Australian hotels, far below US standards, will be forced to seek American aid.

ATHENS — The United States, Germany, and Greece recently entered into a triangular trade arrangement which will benefit all concerned—and European defense too. The US started the ball rolling with a $1.4 million credit, most of which goes to Greece to help raise the bauxite output of mines to 1000 metric tons per day. A smaller part is to be used for German mining tools.

In return Germany will get 450,000 metric tons of bauxite as payment for additional tools and products which Greece will receive between now and the end of 1954. The US will get enough aluminum made from the Greek bauxite, processed in Germany, to eliminate delays which might hamper West European defense production. Exact end-use of the aluminum is top-secret, but some of it may go outside Europe if the authorities so decide.

Investment Climate

Austria Wants Long-Range Investment

VIENNA

Despite six years of high-speed reconstruction and more than a billion dollars invested, Austria still needs funds for long-range investment to modernize her processing, finishing, and export industries.

This situation affords openings for US capital, but Austria's National Bank still disagrees with government experts and private industrialists on the desirability of seeking outside funds to help strengthen the half-socialized and half-cartelized economy.

The bankers, who are convinced that Austria does not need foreign capital and that her nationals are fully capable of providing the necessary funding, point to the $270 million worth of foreign currency already deposited in their vaults. What is needed are schillings, Bank officials say, and they urge citizens to save at higher interest rates for longer periods. On the other hand, private businessmen and government officials contend that foreign capital is needed because as soon as it is plentiful, domestic funds will become available.

Further, there is the possibility that available foreign funds may decline—a view held by Finance Minister Reinhard Kamitz, who recently predicted a drop in foreign currency in 1954. Experts believe that it will take at least a year to collect enough funds to set up a capital market. Until then the ERP revolving fund—about $27 million—will serve as the backbone for the market.

To date the nationalized basic industries and some branches of consumer goods production have received the major share of ERP funds. Private industries have not been able to match the growth of nationalized enterprises mainly for two reasons: the nationalized industries produce raw or semi-finished materials which are in greater demand in both East and West; and the majority of Austrian invested capital has either been placed under public administration or nationalized outright.

A breakdown of ownership shows that 25 per cent of private capital invested in stock companies is in private hands; 47 per cent is in nationalized units; 19 per cent under public control; while 9 per cent is held by the USSR as German assets. Since these concerns operate only for the profit of the state, or to cover the losses of less successful enterprises, the Vienna Chamber of Commerce has proposed that they be collectivized and operated on a non-profit basis to keep prices down.

Nevertheless, the country's economy has achieved spectacular gains. During a time of general unrest in Europe, Austria has maintained fairly stable social and labor conditions; reported a favorable balance of trade for 1953; and now holds a creditor position with the European Payments Union and most of the Soviet satellites. Production rose to the highest peak since 1938 following revaluation of the currency last April. Leading the boom were the vehicle construction, leather, shoe, electric appliance, textile, mining, and paper industries. Another indication of the country's recovery was seen in a recent announcement by Finance Minister Kamitz, who said that Austria's international trade position would be stabilized if she could increase her exports by 10 per cent this year.

At the same time state development is keeping pace with industry, but the government would welcome foreign financing: hydroelectric projects need $7.7 million; a superhighway, $30 million; and reconstruction of the Vienna airport, $3 million.

Private industry badly needs raw materials and machinery. While the best choice for US investors is probably the smaller size Austrian companies, there is a great demand for at least two new products: a simplified method of processing wastepaper and a typewriter with an interchangeable carriage.

To encourage foreign investment the government has set interest rates for long-term funds at 4.5 to 6 per cent, and permits transfer of interest and amortization payments in the currency of the original investment. While there are no formal guarantees to overseas investors, permission to do business in the country is granted on an individual basis by the National Bank.

In the meantime Austria is surfeited with short-term credit while she starves for long-term funds. Americans who can supply the needed capital stand a good chance of obtaining attractive returns.

Peru Acts to Regain Her Economic Health

LIMA

The decline of the sol last year caused a minor economic earthquake in Peru. The nation is now desperately trying to clean up the rubble.

Although it is expanding its public works program, the government has maintained a balanced budget, tightened credits for nonessentials and—so far—refused to increase taxes on business profits. In addition, local banks are making more money available for private industrial investment by halting interest payments on large current accounts and reducing interest on term deposits.

Red tape is at a minimum, since the government permits free exchange despite Peru's unfavorable trade balance of the past few years and the decline of the sol, from 15.4 to 19.7 to the dollar, last December. The government is conserving its dollar balance by banning imports of automobiles for six months and clamping duties on imported luxury items, including liquor.

These efforts, some optimistic observers predict, will increase the sol's value during 1954, and if

American oil companies now prospecting in the Sechura Desert strike it rich, the dollar balance is almost certain to go up. But by far the most hopeful augury of success in this direction is the $30 million loan just granted by the World Bank, the US Treasury Department, and the Chase Bank, to give the sol greater convertibility.

US investments already established in Peru would appear to be good for a number of years because of existing guarantees, but new investors will want the answers to at least two questions:

Will the government accede to pressure and reduce the excess profits tax?

How soon will Peru recover from the present slump in the price of metals, particularly lead and zinc?

At any rate, there will be plenty of good opportunities for foreign capital if the nation's economy can be rehabilitated. Among the prime fields for North American investors are irrigation projects, construction of new factories and highways, and mining. While the present situation dictates caution, canny investors will keep a sharp eye on the success of the reform program.

Holland Is Willing To Smooth the Way

AMSTERDAM

The Dutch government's program to encourage US investors has paid off handsomely; a number of American companies have opened factories in Holland within the past few months.

One of the few countries to create a special agency to facilitate foreign investment, Holland's Directorate-General for Industrial Development carries out promotion work and acts as liaison between prospective investors and various government bureaus.

US investors who have responded to this treatment are the Hyster Company of Portland, Ore., which recently opened a factory at Nijmegen to build trucks and cranes for export throughout Europe; a textile machinery firm from Reading, Pa., and an American insecticide manufacturer. The textile company opened its first foreign branch in Overijssel to produce machines for nylon stockings which will be exported to Europe, the Middle East, and eventually, the Far East. The chemical company is building a factory at Pernis, near Rotterdam, to manufacture the insecticides Aldrin and Dieldrin for the first time overseas.

The Dutch government's cooperation smoothed the way for the Arabian American Oil Co. (Overseas) to move its headquarters from Italy to Holland. Aramco's decision to take this step was prompted by a dispute it had with the Italian government over carrying company mail on company airplanes between the US, Europe, and the Near East. The Italians had declared this illegal, but would have allowed Aramco to proceed if it paid a small penalty. The company decided not to risk the attack this would have brought from Italian left-wing groups. The problem was solved by transferring headquarters to Holland, where government officials offered to pass special legislation legalizing the carrying of mail, and also clear the way for Aramco to construct a new plant.

One drawback to investment in Holland by US businesses may be the high tax on personal income. Aramco plans to overcome this by reimbursing employees for the excess over the amount they would have paid in the US, and other companies may follow suit.

Investors Warily Eye Finland's Rich Resources

HELSINKI

The necessity of walking a tightrope between East and West isn't preventing this little country from doing its best to attract American dollars.

For their own purposes, the Soviets have allowed the Finns to retain control of their economy and to deal as they see fit with Western nations. The likeliest reason for this forbearance is their desire to use Finland as a sort of agent—buying goods in the West which are banned for sale to the USSR. (A case in point is the $12 to $20 million Finland plans to spend in the US in the next few months.) The Finns thoroughly understand their precarious position and are jealously guarding their industrial independence.

The Role of US Capital

As a counterbalance to the influence of her Eastern neighbor, the Finnish government wants to see more private American investment than the $10.2 million that has already been put to work. Natural resources are still underdeveloped, and the Finns are particularly interested in establishing an oil refinery—with outside money if possible. As a fillip to overseas investors, they point out that Finland consumes more petroleum products than many countries which operate refineries at a good profit.

The Finns also say that the domestic market for motor fuel will probably rise, since the chief industry—timber and lumber manufactures—is steadily being diverted from the antiquated and costly waterways to railroad haulage. Transportation costs, however, remain fairly high because of the shortage of track.

Finland's mineral resources are waiting to be exploited, and the government is prepared to give guarantees on tax rates, expropriation, and repatriation of funds to prospective investors, particularly those who will help develop the country's iron ore, copper, and zinc mines. The first consignment of iron ore from new mines in the north was recently shipped to Britain.

In short, Finland offers an attractive field for foreign capital—provided the investor bears in mind the fact that he will be doing business next door to the Soviet Union.

HOW BUSINESS ABROAD IS MEETING US "RECESSION"

WORLD finds most nations are buying less from the US

AMERICAN businessmen are being hurt by the current recession not only in the domestic market but in sales abroad, which in many cases mean the difference between profit and loss.

This is because even the mildest of marginal declines in the United States can mean a serious depression and possible economic disaster to our business partners, political allies and raw materials suppliers in every part of the world.

The reason is simple. In a slump, American industries tend to live off stocks on hand and cut foreign purchases to the bone to protect themselves against any further decline in the home market.

In turn, foreign nations, with their supply of dollars drastically reduced, no longer can buy their usual quota of US exports.

Thus, in 1948-49, when US industrial activity fell only 5 per cent, that of many other countries whose economies depended, directly or indirectly, on supplying the US with raw materials plunged 10, 20 or even a catastrophic 30 per cent.

With the signs of a new US recession multiplying week by week, the foreign nations which were the chief sufferers in 1948-49 are viewing their economic futures with increasing apprehension. They listened with sinking hearts when, recently, Winfield W. Riefler, Assistant to the Chairman of the Board of the Federal Reserve Bank, told a Congressional committee that the fall in business activity had been much sharper than anticipated

in December, when President Eisenhower's economic report was drafted. Their fears were intensified when the President himself, a few days later, announced that the government would step in to bolster the sagging economy unless there was a definite upturn in early spring.

The reaction of these foreign nations to the possibility of a US recession is of the utmost concern to American businessmen. Obviously, these countries must cut their purchases of US goods and services since, with the decline of American buying abroad, they will have fewer dollars to spend here. Also, they will look for other markets, and must then accept payment in the products of those markets. This will cause a further drop in US exports.

To find out what steps nations abroad are taking to protect themselves in this situation, WORLD cabled its business correspondents overseas. In addition, it consulted the economic counselors of the major embassies in Washington. A digest of their replies follows.

EUROPE

LONDON

The United Kingdom and the rest of the sterling area already are feeling the effects of the US recession. British exports to the US fell 10 per cent in the last quarter of 1953, and exports from the rest of the sterling bloc 21 per cent.

The first response of Chancellor of the Exchequer Richard A. Butler has been to intensify his drive to maintain interest rates at a high level, thus making credit expensive and cutting production costs.

But this is a two-edged sword. The maintenance of present interest rates slows down the drive to expand and modernize British industry.

The American recession—and the fear it may deepen—also has forced Butler further to postpone his hopes of making sterling freely convertible, since this would inevitably slow down building of British dollar and gold reserves.

The British government is also showing extreme caution in making new dollar commitments, which means that it is buying more and more from Commonwealth, European and Latin American countries, and less and less from the US. This, however, is not easy to do, since Britain's high production costs (which in turn can't be cut without the dollars to buy new American equipment) make Latin American and certain European countries extremely reluctant to accept payment in British goods.

BONN

West German industry already is feeling the pressure. American manufacturers are taking vigorous steps to exclude from the US competitive German products, and West Germany, in consequence, is trying to build up the non-dollar areas as buyers of German goods. Import controls affecting these areas are being relaxed to enable them to earn marks. German exporters are also turning for an outlet more and more to the Communist bloc nations.

Pressure for expanded trade with the East—whatever the political ideologies involved—will grow in direct proportion to the decline of West German exports to the US. West German businessmen argue that East Europe has always been part of Germany's "natural" economic outlet, and that such a trend was to be expected no matter what happened in America.

There is however, one important contrary trend. Bonn's Economics Minister, Ludwig Erhard, believes a US decline means a fall in US prices, and hopes to take advantage of this by buying as much as possible before the American recovery he expects shortly. He plans to accomplish this by government sponsorship of low, long-term credits.

VIENNA

Austria, compelled since the war for political reasons to transfer much of her exports from her traditional East European markets to the US and the rest of the Western Hemisphere, already feels the pinch of the American slump. Pressure to exclude Austrian products is increasing, adversely affecting sales in the US of handblown glassware, staple fibers, generators and transformers, and semi-manufactured aluminum.

PARIS

France has been curtailing purchases in the US for some months. But any major adverse effect of the decline has been offset by American offshore procurement purchases, and US aid is expected to continue.

Because of this dollar aid, France is in the fortunate position of having larger hard currency reserves than at any time in the last three years.

MILAN

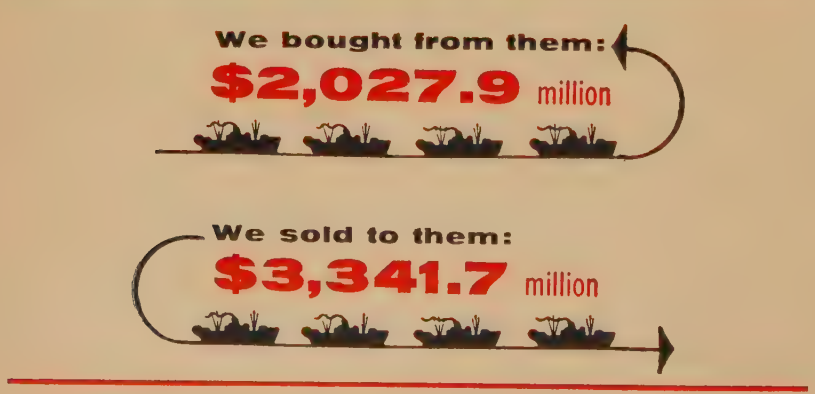
Italy is finding it harder and harder to sell in the US, since luxury goods—which form a major part of Italian exports to America—are the first to suffer in a decline. Her economic experts are also worried because they believe a US recession would mean a cut in aid and higher tariff barriers.

Italian businessmen, with their dollars dwindling, are buying less in the US. They also hope to replace their at least temporarily lost American market by increased sales to the USSR. This will create still greater problems for Italy's anti-Red government by giving local Communists the chance to say "Don't kick a good customer in the teeth."

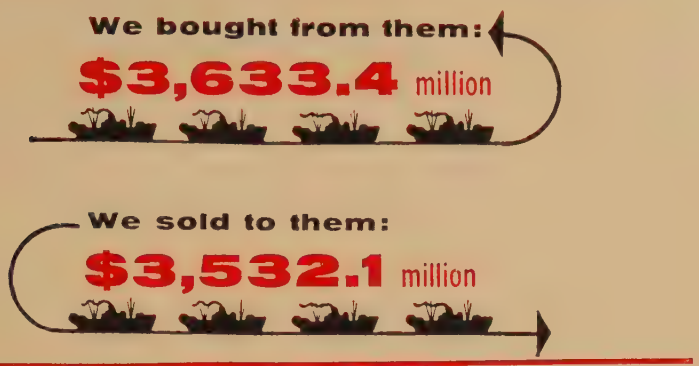
ATHENS

Greece hopes that the projected expenditure of $120 million to build US air bases in that country will counter the local effect of any American slump. But it fears that a continued US recession may cause Congress to cut the base program.

US—EUROPEAN TRADE IN 1952



US—LATIN AMERICA TRADE IN 1952



STOCKHOLM

Scandinavia already feels the effects of the American decline, and, with dollars growing scarcer, is cutting purchases in the US as much as possible.

Sweden itself hopes to make up for lost US orders by increased government purchases from local industry.

Swedish businessmen and industrialists are convinced that, to date, the effects of the so-called US recession on Europe's economy have been psychological.

Denmark is striving to increase agricultural sales to other European countries, and to erect additional trade barriers against soft-money nations.

Norway also is seeking new markets, fearing the recession will mean a further tightening of US tariff and shipping policies.

THE HEMISPHERE

MONTREAL

Canada hopes that the anti-dumping legislation Parliament adopted last December will protect her economy against any serious consequences from a worsening depression in the United States.

The legislation originally was directed against end-of-season dumping by American dress manufacturers, but was drawn up in general terms and hence can be used with regard to the import of all manufactured products. It already has been employed to exclude price-cut electric refrigerators and other household appliances.

It works like this. If a product normally sells for, say, $100, but was cut to $78 at the end of the season to make room for the new line, Canadian importers are not allowed to pay duty at the latter price; they must pay on the average price of the preceding six months, plus a special dumping duty.

Canada also is accelerating her efforts to obtain new markets outside the US, with government experts seeking new grain and flour customers in Europe and the Far East. She also is keeping an open mind on the latest Soviet trade proposals.

CARACAS

Latin America, tightening its belt against the US recession and because of its own depressed economic state, has cut its purchases in the US an average of 10 per cent in the first two months of 1954.

Venezuela is in a better position than her neighbors to counteract the effects of a US slump because she has sufficient cash reserves to pay for estimated imports over the next six months. Another favorable factor is the high price in world markets of her principal export: coffee, cocoa and oil.

The nation's economists are divided on the best way to meet any further US decline; one group wants to build up additional foreign exchange reserves while the other favors increased government spending to stimulate local industry. The latter policy is expected to be followed.

LIMA

Peru's fears of the possible consequences of an increased US decline have been eased somewhat by the recent $30 million loan from the US, the International Monetary Fund and the Chase National Bank.

SANTIAGO

Chile has cut purchases in the US and is attempting to arrange long-term credits with non-dollar nations to finance imports of capital and consumer goods hitherto supplied by the US.

The government is finding it difficult to arrange this, however, with the budget running at a 30 per cent deficit.

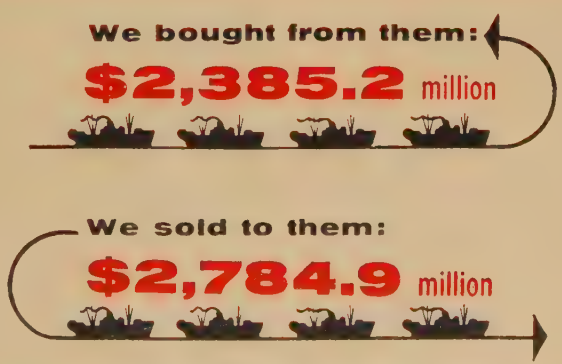
RIO DE JANEIRO

Brazil is apprehensive at the possibility of a prolonged US decline, since her economy is shaky, and any further cut in the dollars supplied by exports of coffee, cocoa, minerals and vegetable oils to the US might be disastrous.

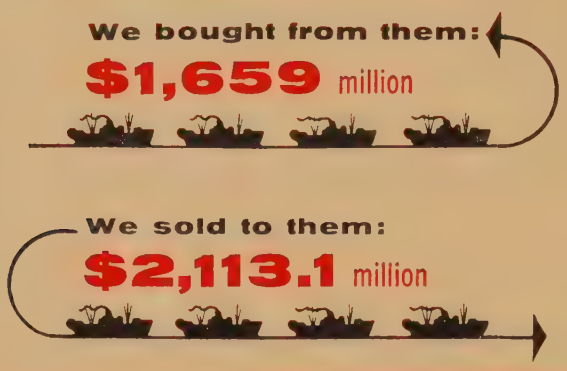
The nation's dollar supply already is short, and there is a grave deficiency of essential medical and pharmaceutical supplies, most of which come from the US. Many factories face closing because of their lack of US-furnished materials.

The government is making desperate efforts to increase trade with West Germany and France, and even with the Communist bloc, but these measures will not solve the problem.

US—CANADIAN TRADE IN 1952



US—ASIAN TRADE IN 1952



But it is admitted that, should the US have a serious recession, the results for Peru would be grave.

The government, in anticipation of a possible dollar lack when the loan runs out, is showing more and more interest in buying from soft-currency nations in Western Europe.

These could supply almost everything Peru now buys from the US, thus depriving the US of an important export market.

MEXICO CITY

Mexico does not fear a further US decline because many other nations, including Canada, West Germany, Belgium and Japan, are showing increasing interest in buying many of the products she is now exporting to her northern neighbor.

Mexican businessmen are also seeking new markets in Latin America. Some of them would actually welcome a US slump, feeling it would greatly help Mexico's foreign trade.

ASIA AND THE PACIFIC

KARACHI

Pakistan does not expect any serious consequences from an American slump because of the US military aid program, which will enable the country to cut its defense spending by at least 25 per cent.

This will be used to expand imports from other sterling area nations.

BOMBAY

India, worried by reports of a growing US decline, plans to increase trade with both the sterling area and China and other Communist countries to make up for any loss of sales to the United States.

The chief damage from a lengthy US recession would be indirect—its effect on the German and Japanese economies. Both nations are substantial buyers of Indian products, for which they pay in dollars.

MELBOURNE

Australia is planning to cut her purchases from the US if the decline continues. Australian businessmen hope to increase their sales to other areas, but realize that a protracted recession in America would make it very hard for potential new customers to pay for Australian products.

WELLINGTON

New Zealand, using its strict foreign exchange licensing system, has begun cutting imports from the US and increasing those from non-dollar areas, and will intensify these measures if a long American decline seems likely.

TOKYO

Japan so far has not suffered greatly from the American recession because US buying here continues on a fairly high level.

However, prolongation of the slump would prove extremely serious for the already shaky Japanese economy, and there is little Japan could do about it.

THE MIDDLE EAST

CAIRO

The Middle East nations, while not major customers of the US, are being hurt by the American recession because it is cutting the buying power of the Western European countries which are the area's chief customers and suppliers.

Egypt itself is alarmed less by prospects of an American slump than by reports that the US plans to sell surplus cotton in Europe, accepting the buyer's currency in payment.

This would cut sharply into Egypt's cotton sales to her traditional customers—France, Yugoslavia and Italy—but Cairo is making no public protest at this time because it wants to buy 25,000 tons of American wheat.

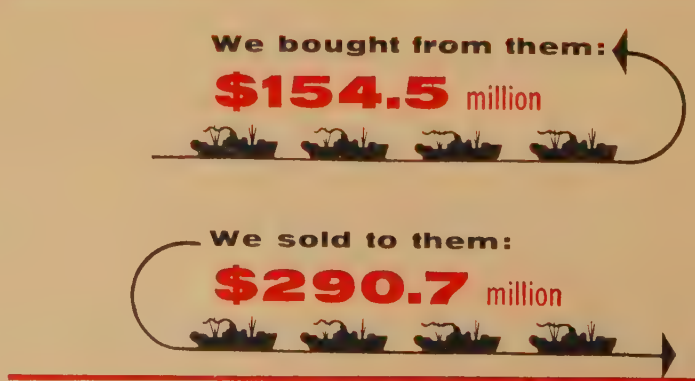
The government is trying to work out a deal to trade cotton for Soviet wheat to make up the expected loss of sales elsewhere.

ANKARA

Turkey, whose economy is largely dependent on exports to the US for a foreign market and on American capital to finance her industrial expansion, will be badly hurt if the US slump continues.

She is desperately seeking new markets, and plans to cut prices to keep many of her new industries in operation. It is hoped that the losses thus incurred will be made up by direct government subsidies.

US—MIDDLE EAST TRADE IN 1952



INSIDE THE ANGLO-SOVIET TRADE DEALS

EARLY in February a delegation of British businessmen, acting unofficially but with the blessing of the Board of Trade, signed contracts in Moscow to deliver to the USSR £16 million ($44.8 million) worth of British goods. They also negotiated delivery of another £48 million.

The chairman of the delegation was J. B. Scott, Sales Director of Crompton Parkinson, Ltd., leading electrical equipment manufacturers.

In the following exclusive interview with Cecil F. Melville, WORLD's London correspondent, Mr. Scott tells how the negotiations were carried out, what sort of goods will be delivered, and the importance of increased Soviet trade to Great Britain and the West. At the same time he conveys his impressions of the Soviet government and conditions within the USSR.

Q. *Many Americans are disturbed by charges that Great Britain is supplying goods of strategic value to Communist bloc countries. Do the Moscow sales fall into this group?*

A. None of the *signed* contracts, and only a very small amount of the *negotiated* transactions. In this connection it must be emphasized that Prime Minister Churchill, in his recent statement to Commons urging increased Anglo-Soviet trade, said that his government was taking up with Washington a relaxation of these restrictions.

We mustn't forget that, if we don't supply the goods, the Russians will get what they want from East Germany and other satellite countries, or from Sweden and Switzerland, which, unlike us, are not NATO members.

Q. *How did you carry on negotiations?*

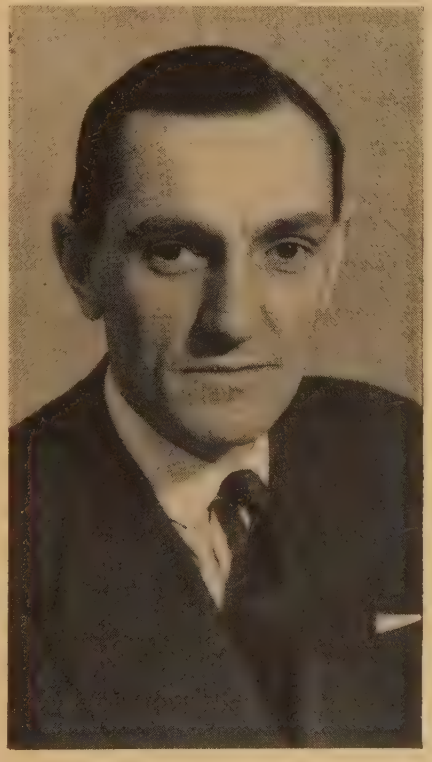
A. We dealt throughout with the Russian central government, because all purchases are made by its central trading organization, and distributed afterwards to the individual industries. We had several conversations with directors of various industries, but we could not treat directly with them. Most of the negotiations were with A. Y. Mikoyan, Deputy Premier and Commerce Minister, and Ivan Kubanov, External Trade Minister.

Q. *Were the negotiations on the British side likewise carried on through some central channel, say yourself?*

A. By no means. Each of the firms represented in the group negotiated its own deal. It was strictly private enterprise on our part. We went ostensibly as a group, and I served nominally as chairman only because the Russians wanted it that way.

Q. *How were the contracts drawn?*

A. Terms, provisions for arbitration, and penalties were agreed to and signed by the individual firms in Moscow.



***J. B. Scott,** leader of the trade delegation which sold $179 million in British goods in Moscow. He is Sales Director of Crompton, Parkinson, Ltd.*

Q. *What are the penalty clauses?*

A. They are reasonable, and similar to those in any ordinary contract.

Q. *Are the contract specifications different from those used elsewhere?*

A. In some cases Russian specifications are used. But in most cases the Russians were willing to accept British standard specifications. There was no difficulty in adjusting these matters.

Q. *Are the orders for special types of equipment or for the regular line of machines made by the firms in question?*

A. They are for the regular line of equipment. For instance: my firm contracted to supply transformer kiosks for the distribution of electricity in rural areas. We contracted to supply these kiosks over a period of three years, beginning in January of 1955, the starting date for all the contracts signed.

Among the goods contracted for are standard electrical equipment, a standard range of machine tools (some of which are still embargoed), dairy equipment, diesel engine equipment, flour milling equipment, food packing and food mixing machinery, and wood veneering processes.

Q. *How and in what currency will the Russians pay?*

A. Cash against shipping documents in sterling. They were willing to some extent to pay in dollars, but to avoid complications we are accepting sterling payments.

Q. *Are the machines to be paid for, in whole or in part, in advance of delivery?*

A. No. There was no case of "progress" rates of payment. Goods will be paid for as they are shipped.

Q. *Will they be paid for through regular banking channels or through special agencies?*

Wrapped in sleep... wrapped in love

Day's end for tiny legs and arms . . . the bedtime story told, prayers said, the tired little body held for a moment's hug, then tucked into bed . . .

Seal the day now with her good-night kiss and let her drift away into slumber, safe and secure.

Security is the deepest need of our living, and its greatest reward. To provide it for those we love is a privilege possible only in a country like ours.

And this is how we make America secure: by making our own homes so. One secure family circle touching another builds a secure land.

Saving for security is easy! Here's a savings system that really works—the Payroll Savings Plan for investing in United States Savings Bonds.

Go to your company's pay office, choose the amount you want to save. That money will be set aside for you before you even draw your pay. And invested in Bonds which are turned over to you.

If you can save only $3.75 a week on the Plan, in 9 years and 8 months you will have $2,137.30. For your sake, and your family's, too, how about signing up today? Or join the Bond-A-Month Plan where you bank.

The U. S. Government does not pay for this advertisement. It is donated by this publication in cooperation with the Advertising Council and the Magazine Publishers of America.

PUBLIC SERVICE PROJECT THE ADVERTISING COUNCIL

A. They will be paid for through the Narodny Bank in London.

Q. *And the exchange rate?*

A. The rate is 11.2 rubles to the pound sterling (4 rubles to the dollar).

Q. *Had you made previous sales to the Russians, and did they live up to the contracts?*

A. Yes, to both parts of that question. I have had previous experience of doing business with the Russians and have always found that they live up to their contracts quite scrupulously.

Q. *How are payments for shipping arranged and how are the goods to be shipped?*

A. This answers both parts of that question: the goods are shipped in Russian bottoms, and the costs are Russia's affair. Our job is just to ship F.O.B.

Q. *What will be done with the machines the Russians have ordered from you? What sort of products will be turned out on them?*

A. I believe that the machines will be used to turn out the sort of products they are meant to turn out. I believe that the present Soviet government is launching a program of industrial expansion, especially in the secondary industries. For their heavy industry—including war production—has long been at capacity. Of course it may be argued that secondary industries could easily be converted to the manufacture of war materiel. Well, that can happen anywhere. It is not possible to guarantee that the Russians will not do this. But there is good reason to believe that the object of the purchases from us is to turn out the goods for which the machines have been made.

In my opinion, Russia is in the throes of a great industrial expansion, mainly, I believe, for the purpose of improving the country's standard of living.

Q. *Do you believe that the British Board of Trade will approve your sales?*

A. Yes. For the reasons I have given above. And there is the fact that the Board of Trade approved our mission.

Q. *What is your impression of present conditions in the USSR?*

A. As I said above, the Malenkov regime appears to be attempting a great industrial expansion, particularly in the light industries. The purpose, it seems to me, is to improve the conditions of life in the USSR and make more consumer goods available to the Soviet people. Judging from my observations, the aim of the Malenkov government, is above all, to ease the internal situation.

Q. *Are there any outward signs of this?*

A. Yes. I can testify to the very considerable improvement in living conditions even in the past six months. New blocks of flats are going up; there is quite a lot of consumer goods for sale in Moscow, Leningrad and other cities, and plenty of food.

THE BRITISH BILL OF SALE

TOTAL SALES

£16,000,000 ($44,800,000) signed.
£48,000,000 ($134,400,000) negotiated.

GOODS INVOLVED

Standard electrical equipment; standard machine tools (still a very small part of the strategic items on the embargoed list); dairy, diesel engine and flour milling equipment, food packing and mixing machinery; and wood veneering machinery.

LARGEST SINGLE ORDER

£2,250,000 ($6,300,000) by Fielding and Platt, Ltd., for wood veneering and similar machinery.

DELIVERIES

Starting January 1, 1955, and continuing through 1957.

PAYMENT

On shipment, in sterling, at the rate of 11.2 rubles to the pound.

Coca-Cola, sold in all parts of the world, supports the argument that an acceptable product will sell anywhere. This typical American blonde may not have much appeal to these two Moroccan women, but she sells "coke" anyhow.

Ads That Sell Abroad

The adman's problems multiply when he goes overseas. Trade restrictions and dollar gaps severely limit his markets. In addition, he faces abroad, more than at home, an infinite variety of human and social factors—mores and manners, beliefs and taboos, which he must know thoroughly to make his appeal successful.

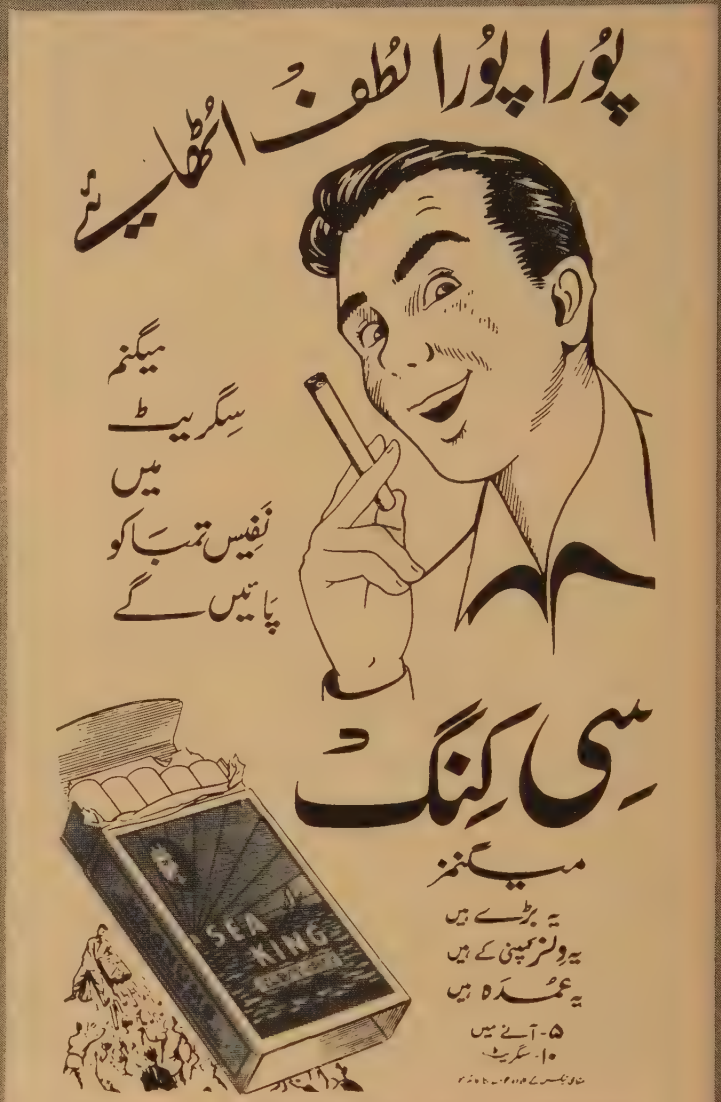
Not all products can be sold everywhere. Peruvians will never buy cold cereals for want of milk. The Hindu castes in India will never buy a soap containing animal fats because of religious decrees. These factors aside, goods *can* be sold if advertising is tailored to meet national custom and local taste.

Ad agencies dealing in foreign accounts recognize this fact, but differ in the significance they attach to it. McCann-Erickson maintains that the same approach will sell a product anywhere, provided the product is basically acceptable and the campaign sound. In contrast, Grant Advertising, largest wholly-owned company, believes that local adaptations are highly necessary. J. Walter Thompson, Gotham, and Foote, Cone & Belding work closely with their associate agencies overseas to obtain the best results. But in every case, whether an agency operates through foreign branches or associates, the trend to on-the-spot decisions stresses the importance of local factors.

Representative samples on the following pages illustrate how these and other agencies are solving their special problems overseas.

Familiar Figures . . . With a Difference

The same old sob story of the girl with bad breath is retold in Hindustani, but Grant Advertising, Inc., uses Indian models to make reader association immediate.



Grant Advertising's Sea King cigarette ad shows the simple, pictorial kind of ad generally favored in Pakistan. Reason: about 85 per cent of the population is illiterate.

McCann-Erickson's sales approach depends on universal appeal of subject: for example, sick child and kindly doctor. For *Reader's Digest*, all foreign editions.

Local taboos are honored in Foote, Cone & Belding's ads for Dial soap: the word "deodorant" is stressed in the advertisement for Puerto Rico (left), but omitted in a display (above) designed for sensitive Cubans, who object to it.

Gotham's cluttered ad for strong-man Charles Atlas simplifies response for unsophisticated Latins. Given so much information, they don't need to write for more.

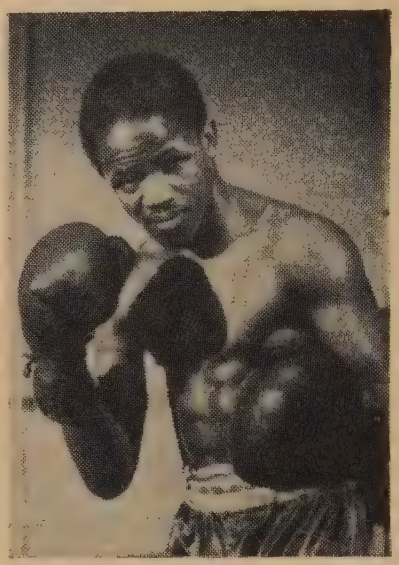
In Latin America, slick-paper magazines are scarce: Warner's slender beauty is dimmed by a coarse screen to make it reproducible on newsprint. Gotham Agency.

Some Ads For Use in Many Lands

UJAKE TULI

UJIKELEZA IDOLOPHU - EPHETHE

Commando



Ujake Tuli, incutshe yamanqindi kuluhlu lwe flyweight kumathaanga eBritane nozalwa phaya eRhautini, wathunyelwa isabelo sakhe se Commando phaya eNgilane wathetha wahthi ngazo:

"Ndine bongo ukuba yi incutshe - iCommando yenye incutshe. Thabatha icebo lam - tshaya iCommando ngalo lonke ixesha."

Jake Tuli

Commando

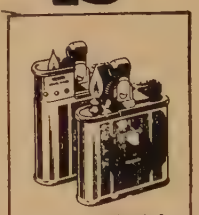
Plain, Cork okanye Filter izi

Champion Jake Tuli is idol of South African Negroes. The advertisement, in Xhosa, appeared in the weekly *Imvo Zabantsundu* of the Xhosa tribe. (Grant, Johannesburg.)

聖誕禮物 朋臣最好

人人適合 處處皆宜

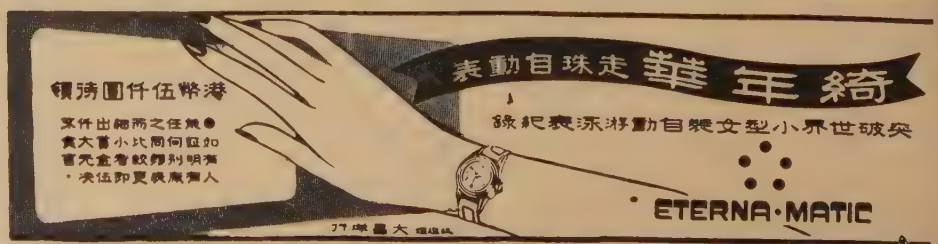
朋臣打火机



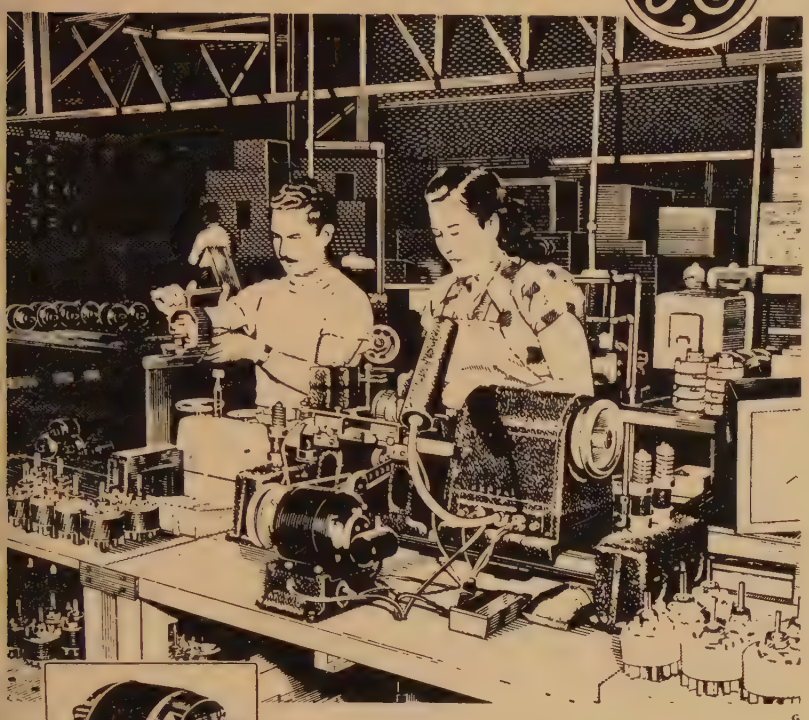
款式新穎
一打即着

RONSON

Hong Kong has adopted Christmas from British, will recognize Oriental Santa. Hazards of poor-quality paper are met by line reproduction. (Grant Agency.)



Newspapers are the chief media for Eterna-Matic watches. Because of inferior paper and printing, layouts are kept simple and free of coarse halftone engravings. (Grant Agency.)



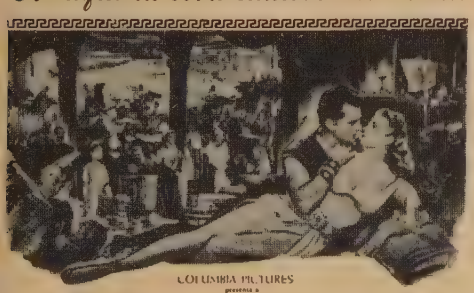
Confíe en el prestigio de este hombre

GENERAL ELECTRIC

La emancipación económica de un país requiere la aplicación de su energía donde se necesita y en la cantidad requerida, por ejemplo, millares de motores de menos de un caballo de fuerza motores fraccionarios en la industria textil.
La emancipación hogareña de un país depende de los mismos motores fraccionarios que muevan la lavadora, la aspiradora, el refrigerador fuerza en pequeñas dosis
En la Manufacturera GESA se producen motores fraccionarios . . . con materiales mexicanos y manos mexicanas . para acelerar la producción y el confort de Mexico
En la foto, una de las muchas pruebas que garantizan el perfecto funcionamiento y larga duración de los motores fraccionarios G-E.

GENERAL ELECTRIC
S. A. de C.V.
MEXICO, D. F. • GUADALAJARA • MONTERREY • VERACRUZ • PUEBLA

Local appeal of General Electric ad (left) is heightened by Mexican models; Grant Agency also used local artists. By contrast, National Export Advertising's Japanese Lux ad features Western beauty, popular since US occupation. Both appeared in foreign editions of *Reader's Digest*.



Emphasis on sex is tailored to meet local standards. Passion, blazoned in Cuban ads (left), must be indicated more decorously in puritan French Canada. Ads appear in *Reader's Digest*. (Donahue & Coe.)

Why Excise Taxes Must Be Cut

By Sumner H. Slichter

Lamont University Professor, Harvard University

THE continuing contraction of business is provoking increasing demands that the government "do something." In the first quarter of 1954, output is probably running at an annual rate of around $360 billion—a drop of about 3 per cent.

The Administration's original theory was that the contraction was a normal "adjustment" necessitated by rising inventories in the second quarter of 1953, which led the President, in his January budget message, to repeat his request that the tax cuts scheduled for April 1 be postponed. He proposed a budget in which cash outlays and receipts would balance. On February 28, however, Secretary Humphrey retreated slightly from this stand. He said he would accept selective cuts in excise taxes, but he opposed Speaker Martin's proposal to cut them in half—which would raise consumer purchasing power by about $1 billion a year.

Up to now the contraction seems to have been only an inventory adjustment. The drop in production between the second and fourth quarters of last year was entirely due to a shift from the accumulation of inventories at the rate of $6.3 billion, to a reduction at the rate of $3 billion, a year.

Despite the mildness of the contraction to date, people are demanding far bigger tax cuts than Humphrey is prepared to concede. Senator George, for example, advocates raising exemptions from $600 to $800 in 1954. These changes would reduce personal income taxes by about $5 billion. Furthermore, the advocates of tax cuts are divided between those who favor tax relief to business and those who believe consumers should have priority.

What kind and how much tax relief should be given? Under present conditions tax cuts to business are likely to have little immediate effect in stimulating the economy—for several reasons:

1. Since business investment has been high for some time, we cannot expect still larger purchases of plant and equipment.

2. Most concerns buy capital equipment on a long-run basis. Once their investment plans are scheduled, only marked changes in business conditions or in taxes cause any further revision.

3. The rapid growth of corporate depreciation allowances is substantially increasing the amount of investment funds available to business. Hence, investment is not likely to slacken for lack of money.

MOST consumer spending, on the other hand, is based on day-to-day decisions. Hence, if tax cuts give consumers more money to spend, business has an excellent chance to sell more goods. About two-fifths of American families regularly spend all their income after taxes; another one-fourth spend 90 per cent or more.

The case for tax relief to consumers is strengthened by the large volume of short-term consumer credit outstanding. At the end of 1953, the amount was $29.7 billion, compared to $25.8 billion for 1952, and $21.5 billion for 1951. Repayments on consumer debts are being made at the rate of about $27 billion a year, but it is unlikely that during the first part of 1954 people will borrow enough at short-term to offset repayments. Thus, repayments for the next few months may be a powerful deflationary influence. Tax cuts to consumers would offset their effect.

Which is better: to raise exemptions, as Senator George proposes, or to cut manufacturers' and retailers' excise taxes? It is obvious, I believe, that cuts in excises are preferable. These taxes fall mainly on durable consumer goods. For example, a 10 per cent tax is applied to automobiles, radios, TV sets, refrigerators, and air-conditioning units, and a 20 per cent tax to photographic apparatus, luggage, and handbags.

It is in the durable consumer goods industries that the drop in production and the rise in inventories have been greatest. Also, the large accumulation of short-term consumer indebtedness retards their revival. Hence, substantial cuts in excise taxes would aid that part of the economy which is in greatest need of help.

HOW large should the tax cuts be? They should be large enough to halt the recession, which is a threat to the entire free world, but not large enough to start a new inflationary spiral. In view of the facts (1) that no substantial drop in business investment is in sight, (2) that individuals can be persuaded to buy more consumer goods, and (3) that current consumption exceeds production, fairly complete elimination of excises should suffice to halt the recession.

This would raise the purchasing power of individuals by a little more than $2 billion a year—probably ample to offset the temporary deflationary effect of repayments of short-term consumer debts. The cash deficit of about $2 billion in the federal budget would not produce an inflationary spiral. With private indebtedness reduced, the rise in public indebtedness could be financed without increasing the money supply.

It must be remembered, however, that it takes an increase of about $3 billion a year to make the quantity of money rise as fast as industry's capacity to produce goods.

WORLD's Guide To:

BUSINESS IN TURKEY

TURKEY may become a booming haven for American investors.

To attract capital, the Turkish government is now enacting a series of laws designed to satisfy the most exacting requirements of cautious foreign businessmen. Last month, Turkey denationalized her petroleum resources and made them available for development by foreign capital. In January, the government had opened industry, agriculture and commerce to overseas investors and authorized them to take home up to 100 per cent of their net profits, dividends and capital base.

Thus, a favorable investment climate is being created. Query: To what extent does the growth potential of the Turkish economy warrant such investments?

To help businessmen arrive at an answer to this currently vital question, WORLD presents an up-to-the-minute survey and analysis of Turkey's economic structure.

1. PRESENT MARKET

Do consumer demand and adequate purchasing power exist, and what is the state of the market?

About 75 per cent of Turkey's population of 21 million people live on small, self-supporting farms or in villages scattered over a country a little larger than Texas. The rest live in towns, with 1.5 million located in Istanbul, Ankara and Izmir. National income in 1952 was split as follows: 58 per cent from agriculture; 13 per cent from manufacturing, mining, and construction; 13.5 per cent from transportation and communication; miscellaneous, 15.5 per cent.

Present health and medical facilities are inadequate; equipment is poor and there is a shortage of trained personnel. Hygiene and sanitation standards are low compared to the more industrialized countries, but the government is taking steps to improve health conditions.

Literacy, too, is low—about 37 per cent in 1945. Here, too, though, the government is moving vigorously. Almost 3000 new elementary schools, secondary schools and lycées have been established since 1950.

Purchasing power is rising steadily. Per capita income rose from $128 in 1948 to $175 in 1952, or by almost 37 per cent. Under the present government, there has been a rapid expansion of agriculture and industry, and a comparable improvement in productivity, standard of living, and ability and desire to buy.

But expansion has created strains. Turkey's balance of trade has shown

deficits during the past five years, with imports tending to outrun export earnings. Capital equipment made up 50 per cent of her total imports in that period; raw and semi-manufactured equipment took another 25 per cent; and the balance consisted of consumer goods and foodstuffs.

Fifty per cent of Turkey's main exports during the same period were raw and semi-finished materials (tobacco, wheat, minerals), and another 45 per cent consisted of food and livestock exports. Manufactured products accounted for the remainder.

To date, Turkey's best customers have been Germany, the US, France, and Italy, in that order.

2. FUTURE MARKET

Is Turkey economically and politically stable enough to permit development and growth of the market?

All indications point to favorable progress in the development of Turkey's economy. The country is politically stable, and the present government, noted for its pro-US orientation and favoring foreign investment, stands a good chance of re-election to another four-year term in May. The main opposition party does not appear antagonistic toward the many foreign investment laws passed by the present government. In fact, the opposition stated recently that if elected they would honor the petroleum denationalization law which went into effect last month.

Since 1950, when the Bayar administration took over, Turkey has progressively abandoned her former reliance on statism in favor of private enterprise. Land reform has been accelerated, and with this has come a rapid advance in farm income and agricultural productivity. Grain production totaled 13,600,000 tons in 1953, a rise of nearly 100 per cent over the 1950 figure of 7,764,000 tons. In addition, the country's foreign trade increased 228 per cent between 1949 and 1952.

At the same time the country's population has increased at an average annual rate of 2.1 per cent since 1945, assuring a growing consumer market.

Matching this growth is the interest shown by the people themselves in pooling their savings for investment in industry, which augurs a good future supply of domestic risk capital and long-term credit.

3. OPERATING PROFIT

What has been the size of investments and the earning experience of US companies in Turkey?

In 1950, before the change in Turkish policy toward foreign investors, the US had $15.8 million in direct investment in Turkey, with the earning rate at 15 per cent. In part, the lack of an even higher rate of return was due to the absence of a strong domestic market and to competition from state-subsidized enterprises. The total US share of net book earnings in 1950 was $2.4 million.

Since 1951, when the first Turkish foreign investment encouragement law was enacted, General Electric, Squibb, and the Fertilizer Corporation of America, among others, have set up branch plants, but total new American capital to enter Turkey under the terms of the 1951 law has not exceeded $2 million. This may be explained by the fact that even this legislation, comparatively advanced as it was, forbade transfer abroad of more than 10 per cent of annual profits, dividends and interest, and restricted foreign private investors to fields of "industry, power, mining, public works, communications and tourism."

All of this has now been changed. The 1954 law, enacted in January, permits foreign investors to engage, on an equal basis with Turkish businessmen, in any enterprise that will "tend to promote the economic development of the country."

The new law also provides that *all* profits, dividends and proceeds of the sale of capital assets of foreign enterprises realized after December 31, 1953, may be transferred abroad at the official rate of exchange.

4. DEGREE OF TAXATION

What kinds of taxes are placed on business operations, and how are they administered?

Foreign businesses in Turkey are subject to the same taxes as Turkish enterprises. The usual business deductions and certain exceptions are granted, and some exemptions are given for taxation on subsidiary undertakings.

Corporation taxes are applied at 10 per cent of the net profit made by limited Turkish companies (known as Associations of Capital) and cooperative societies. Other corporations are taxed at 35 per cent.

A transaction tax, now under study for possible revision, is applied to most imported and domestically manufactured products. It ranges from 12.5 to 18 per cent. Banks, bankers, and insurance companies are also subject to this tax at a rate of 10 per cent. Some industrial institutions, though, and certain categories of exported goods are exempted.

Under a new bill, customs duties will be levied according to the advalorem system. Special import taxes are placed on luxury and comfort goods.

The main burden of Turkey's domestic tax structure rests on the Turkish wage earner, who is estimated to pay from 25 to 30 per cent of his income in direct taxes. Certain categories of foreign personnel, although subject to limited taxation on profits and income derived from Turkish sources, get preferential tax treatment.

At present there is no US-Turkish tax agreement, but a double taxation treaty has been proposed. Meanwhile, businessmen have limited relief from double taxation. In the US, earnings in foreign corporations are not taxable unless paid out as dividends to American owners.

5. TRANSFERABILITY

Can the investor withdraw from Turkey earnings and capital on his original investment?

Turkey's new foreign investment law permits full repatriation of profits, interest and dividends at the prevailing official exchange rate of 2.82 Turkish lire to $1 US. There is no minimum time limit on transfers of capital and capital gains. Article 3 of this new law states that "any part of the profits of an approved enterprise may be reinvested and added to the US capital base."

The US government, backed by Turkey, provides insurance against inconvertibility of funds for new American investments there by means of the Foreign Operations Administration's Guaranty Program. As a further encouragement to new investors, the Turkish Minister of Finance is authorized to guarantee up to one billion lire ($357 million) of the principal and interest on a foreign loan to an approved enterprise, as well as to insure transferability of certificates of stock ownership of Turkish companies.

The new law also permits foreign technicians, managers and other aliens

in private concerns to convert part of their earnings into currency of their country of origin.

6. FREEDOM TO MANAGE

What are the restrictions governing the operations of foreign business in Turkey?

Under previous laws governing branch offices and Turkish companies of foreign origin, only highly skilled personnel (managers, engineers, accountants, foremen and other specialists) could be of foreign nationality. Passage of the new law has virtually eliminated these restrictions. The new law also applies to foreign skilled personnel employed by approved concerns financed entirely with Turkish capital.

All visitors need visas to enter the country. If they stay more than a month they must obtain a residence permit from the local police.

As for ownership and control of business, foreign investors may own all or part of any enterprise. For practical purposes, though, one or more of the associates should be of Turkish nationality.

Under Article 10 of the new investment law, equal treatment with Turkish businessmen is guaranteed to all foreign investors engaged in enterprises "which will help develop the economy, will involve no monopoly or special privileges, and are in the area open to Turkish investors." But new enterprises must first be approved by a government committee and confirmed by the Council of Ministers, whose decision is final. This is roughly similar to the British system of foreign investment controls.

Turkey's patent and trademark law grants a fifteen-year life on registered patents. If registered in another country, the validity of the patent depends on the duration set there. Trademarks may be registered for fifteen years and renewed for a similar period, and handled through Turkish patent agents.

7. LABOR RELATIONS

Is there a strong union movement, and to what social and welfare legislation must the employer conform?

Labor unions are relatively new in Turkey. Under the law, employees have the right to bargain collectively, but not to strike, although they can circumvent this by minor work stoppages. Present estimates put the number of organized workers at 150,000 out of an estimated total *industrial* labor force of about 500,000. The government maintains a paternal attitude toward unionization.

Under Turkey's Basic Labor Law employees are guaranteed overtime pay, advance notice of termination of employment, and long-service indemnities for loss of job. But there is no minimum wage law. The standard work week is forty-eight hours. Included in fringe benefits are insurance against accidents and occupational diseases (premiums range from .5 to 5 per cent of the annual wage according to the "class of danger" category of the company). Also included are maternity insurance (at a flat rate of 1 per cent of annual wages) for female employees and wives of male employees.

Employers must conform to safety and health regulations, provide emergency medical facilities, and follow regulations regarding employment of women and children. So far, unemployment, old age, and death benefit programs have not been put into full operation.

8. INDUSTRIAL FACILITIES

Are supplies of raw material, power and skilled labor available?

Turkey is severely handicapped by a lack of skilled industrial workers and managerial personnel, but the government is trying to remedy this by establishing intensive training programs. Only about 5 per cent (500,000 workers) of the total labor force is in industry and mining. The ma-

Turkish Investment Rating

★ POOR
★★ FAIR
★★★ GOOD
★★★★ EXCELLENT

1. PRESENT MARKET	2. FUTURE MARKET	3. OPERATING PROFIT
★★	★★★	★★★

4. DEGREE OF TAXATION	5. TRANSFERABILITY	6. FREEDOM TO MANAGE	7. LABOR RELATIONS	8. INDUSTRIAL FACILITIES
★★	★★★★	★★★	★★	★

9. PROPERTY SECURITY	10. TRANSPORTATION	11. FINANCIAL FACILITIES	12. FIELDS OF INVESTMENT
★★★★	★★	★★	Processing of agricultural products; light machinery, tool and metal working industries; building materials; leather working and shoes; woodworking and light chemical industries; ceramics and handicrafts.

jority of unskilled laborers are migratory farm workers.

The present electricity supply is also inadequate (in 1952, Turkey's per capita k.w.h production was about 42 k.w.h.; Italy's was 620 k.w.h. per capita; Spain's was 350 k.w.h.), and by American standards rates are high.

Here, too, the government has stepped in to give top priority to electric power development. By 1956 it plans to make available more than two billion k.w.h.—only a small fraction of Turkey's estimated potential of fifteen billion k.w.h.

Typical of the new power projects now under way is the Seyhan development being carried out by private business with government aid, and American engineering consultants on call. In 1956, when this project is completed, it will make available an estimated annual production of 284 million k.w.h. of hydroelectric power and will also assist in flood control and irrigation.

Turkey's natural resources are fairly extensive, though still undeveloped. With the denationalization of oil assured as far back as 1952, many private firms received permission to explore for petroleum.

In 1952, production figures for some of the more important minerals were: coal, 4,796,000 metric tons; lignite, 1,021,000; chrome ore, 394,400; iron ore, 243,000; manganese, 39,400.

Until recently, all mining and construction enterprises were state-sponsored, such as the government-controlled Eti Bank's holdings in mining properties valued at $50 million, and the Sumer Bank's holdings in steel, cement, paper, textiles, and sugar refining, which amounted to more than $70 million.

But in line with its present program of encouraging private foreign investment, the government is reducing its holdings in some of these enterprises and leaving the way open for more private initiative.

9. PROPERTY SECURITY

Is the investor's property safe against government expropriation or civil violence?

Turkey's present administration is pledged to provide adequate safeguards against expropriations or violence. It is doing all it can to attract private foreign investment. Problems of property security are at a minimum.

10. TRANSPORTATION

What is the state of Turkey's road, rail, air and shipping facilities?

Turkey is planning to expand and better her transport and communications with aid from the US. At present she has about 1.5 meters of road per capita, but this represents a large increase in mileage in the past five years, since all-weather highways were tripled during this time and highway transportation costs decreased by 60 per cent. Traffic is still light, mainly because vehicles are few: 1949 figures showed Turkey had 11,300 trucks, 2,540 buses, and 17,950 automobiles.

On the other hand, the government owns and operates a well-developed railway system totaling 7,600 kilometers of tracks.

Water transport is cheap, but port facilities are inadequate because of the shortage of storage space and some port congestion. The government is planning to expand port facilities. At present about 85 per cent of all trading is handled by Istanbul and Izmir.

Coastal shipping is fairly adequate, but the inland waterway system is relatively undeveloped. Turkey maintains international air connections by means of Istanbul's Yesilkoy Airport, but on the whole the facilities of the airlines could stand considerable improvement.

11. FINANCIAL FACILITIES

Are adequate banks and agencies available to extend credit and financial services to investors?

So far, Turkey's industrial growth has outstripped her present financial facilities, which still remain inadequate. In 1949 the country had 42 banking institutions with 566 branches. The lack of saving facilities has probably contributed to the scarcity of risk capital, which in turn has hindered the country's development. In an attempt to improve credit conditions the government created, in 1950, the Industrial Development Bank with a $9 million loan from the International Bank for Reconstruction and Development. Since then the Turkish bank has made available medium and long-term credit to private enterprise, with interest rates established at 6 per cent.

The Central Banking system still does not meet the needs for working capital, since the present law limits commercial rediscounts to ninety days, and agricultural bills to nine months. At the same time, commercial banking facilities are marred by weak supervision, rudimentary banking practices, and failure to attract savings deposits. Much of the banking has been directed toward trade and commerce.

12. POSSIBLE FIELDS FOR INVESTMENT

US investors can probably be guided best by the recommendations of a report issued by the World Bank which lists the most promising fields still to be developed in Turkey:

1. Processing of agricultural products, especially food processing and cotton ginning. Attention should be concentrated on low-priced staple products.

2. Light machinery, tool, and metal working industries such as foundries, galvanizing plants, stovemaking, simple pumps, ploughs, hammers, and saws. Up to now, one of Turkey's greatest problems has been supplying equipment suitable for use in small-scale farming.

3. Building materials, with emphasis on simple, economic products like cement, brick, tile, and glass.

4. Leather working and shoes.

5. Wood-working industries to make furniture, veneer, and plywoods.

6. Light chemical industries to make the simple pharmaceuticals, vaccines, serum, soap, insecticides.

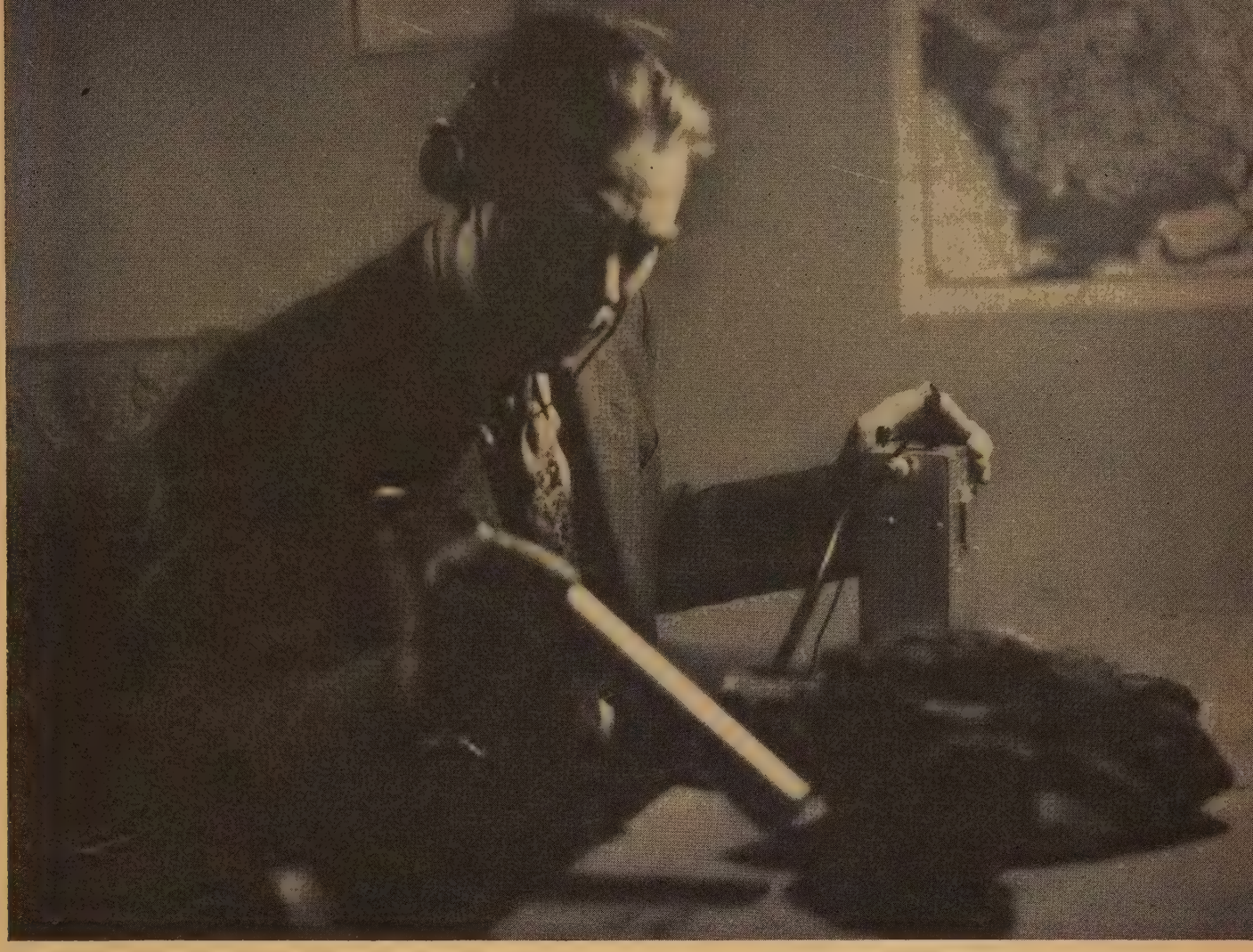
7. Ceramics and pottery.

8. Village handicraft industries.

Turkish officials have requested investment in the manufacturing of cottonseed oil, orange juice, starch, glucose, and other by-products, as well as explosives and fertilizers.

Since Turkey is planning extensive hydroelectric development, there will probably be increased demand for electrical equipment and parts production.

The World Bank has also listed a number of industries which should *not* be developed at present: luxury goods, heavy machinery and metal working, heavy chemicals, cellulose and paper. The country does not have sufficient raw materials or skilled labor for such industries to prosper now. Turkey's greatest need is industries which will produce domestic goods to meet the demands of a low-income economy.



***Hot ore of Oka** is checked by George Soper, chief engineer of Canada's Beattie-Duquesne mine. The map behind him outlines Oka claims.*

U.S. Business Joins

Canada's Atomic '49ers

By MARK STROOCK and PERCY KNAUTH

OKA, QUEBEC

GRIPPED in the fever of a treasure hunt rarely seen since Klondike days, Canada is emerging as a vast storehouse of the most precious materials for the atomic age.

A new generation of prospectors to whom the Geiger counter is as familiar an instrument as were pick and shovel to the '49ers is unlocking the trackless wilderness north of the border. Prospectors and claim-stakers search with modern tools for the modern mineral treasures of uranium, thorium, columbium, tantalum and other metals which were almost unknown only a decade before.

Unlike a hundred years ago, however, big business is a partner in the pioneering, for here is a veritable new frontier for the burgeoning atomic industries.

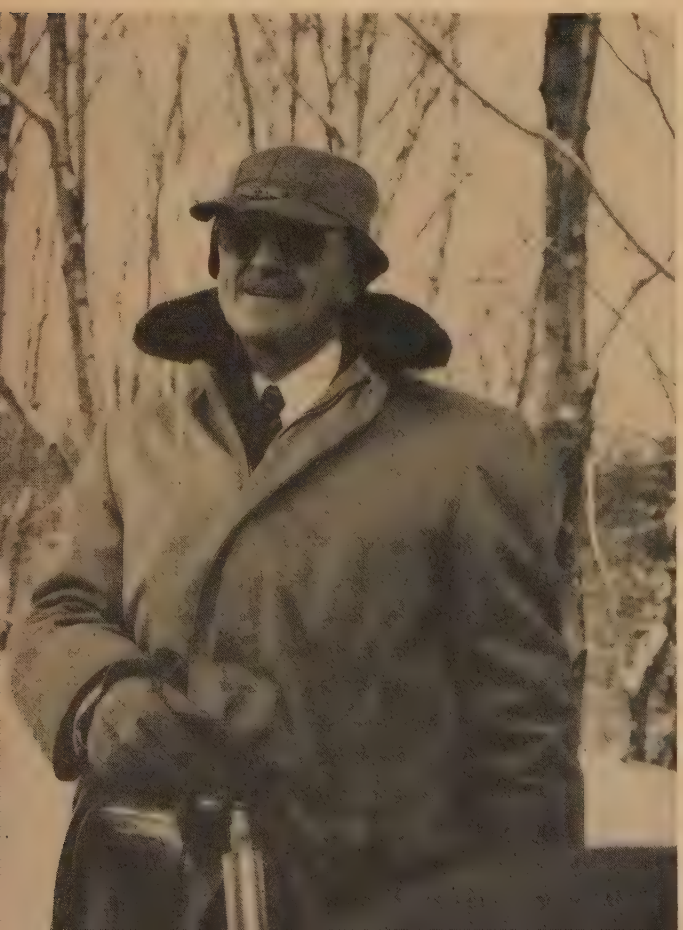
The latest rush in Canada last month engulfed the sleepy little resort town of Oka, a scant forty miles from Montreal. Because it is so close to this great transportation center and largest city of the Dominion, the Oka strike may prove to be the most significant discovery of its kind yet made—provided it fulfills the promise of its early explorations. With railways, highways, waterways and industries right at hand, it is much as though atomic metals had suddenly been found at Croton-on-Hudson, just outside New York.

But whether or not it develops into one of the world's most valuable sources of uranium and rare earths, as those who have staked claims there hope,

Photographed by Percy Knauth

Field Manager *Steve Bond first discovered precious minerals at Oka for Molybdenum Corporation. He is now exploring underground with diamond drill (left).*

Geologist *Alan C. Lee, one of Canada's outstanding consultants in his field, checks new findings for mining companies interested in buying prospectors' claims.*



Oka provides a case history of the mining fever which has today gripped all Canada and drawn in US businesses as well—the story of how a find was made, explored, and became known to the outside world; and of the men who flocked to exploit it—this hardy new breed who stake their fortunes on the buzzing of a Geiger counter and the fluctuations of a dip-needle over ores which, unlike gold, they may never see.

An old man's find

The man who started the whole thing didn't even dream of the sensation his find was to cause. Fred Manny was an old-time prospector, a man of seventy-five, who, though a mine mechanic by profession, had spent years in the "bush," usually alone, searching for the strike that would make him rich overnight. Oka looked like iron country to Manny, and when one day he found some outcroppings of iron oxide, he got himself a license, staked out a claim, and then sat down to write letters to mining companies, urging them to come out and have a look.

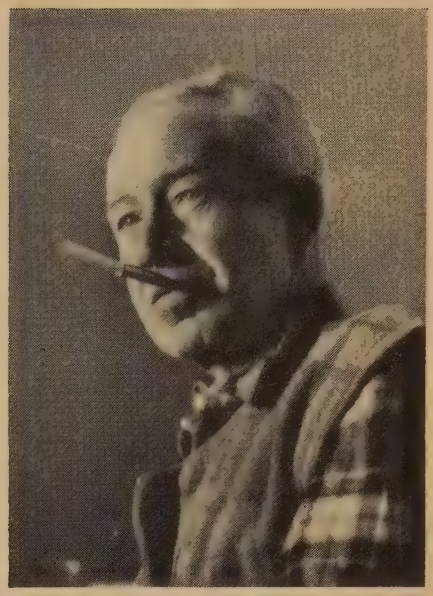
That was the usual procedure, and for many months Manny got the usual results—nothing. In Canada, all mineral rights belong to the Crown; for $5 and the work involved, anyone can get a license and stake a claim. Finding a company that will take the trouble to come out and explore it is something else again. Manny's letters went to a number of mining firms, including the Molybdenum Corporation of America and other US concerns, but his news aroused no special interest. Then, early in 1953, Steve Bond, a Canadian field manager for the Molybdenum Corporation, happened to come through Oka and thought he might as well look up the old prospector and see if he had anything worthwhile.

The trip was a decisive one for Steve Bond. When he left Oka that afternoon, he carried ore samples that kept his Geiger counter buzzing like a doorbell. He said nothing yet to Manny, but the old man, sensing the outcroppings were of more than routine interest, took some samples too. So it happened that each man, unbeknown to the other, sent the ores off for assay—Bond to his company's New York office, Manny to a chemist friend in the Bureau of Mines laboratory of the Ecole Polytechnique in Montreal.

Manny's assay came in first. The results were astounding; 11.37 per cent cerium; 3.46 per cent thorium; 13.68 per cent tantalum and columbium; 10 per cent uranium and radium. The thorium, uranium and radium percentages were exciting enough, but the others were those scarce minerals of great value known as "rare earths": the metallic elements which, added to basic metals such as steel, give them the tensile strength, high melting point and resistance to radiation which is indispensable for work with fissionable materials. And these were present in concentrations as high or higher than any known in the world. The excitement caused by the assay is easily understandable:

Fred Manny, *an oldtime free-lance prospector, staked the first claim at Oka, later sold out to Molybdenum.*

Jack McCall *was one of first stakers to arrive when news of strike finally came over prospectors' "grapevine."*



Mick McDonough, *one of nine brothers of Canada's famed prospecting clan, staked out claims for family firm.*

the world's yearly production of columbium, for instance, is a mere 500 tons, and a ton sold for $3,000 during the war.

Now, like a chain reaction, the ores at Oka began to do their work. While Bond waited anxiously for the results of Molybdenum's assay, things happened in Montreal. Professor Ovila Rolland, the chemist who assayed Manny's samples, took his findings to a mining engineer friend at the Ecole Polytechnique, Professor Paul Riverin. Together with two other men, they immediately formed a syndicate and staked out extensive claims around Manny's land.

When Bond returned to Oka with the Molybdenum assay in his briefcase, the land he wanted was already staked and claimed. To get it for his corporation he had to take a heavy gamble that his surface findings had their counterpart in commercially valuable deposits below. He got the rights at last—but it cost Molybdenum $68,000 to buy Manny's holdings, and $300,000 for the far more extensive claims staked out by the syndicate.

In May of 1953, Bond was able to explore his holdings more thoroughly. By that time he had gone over the land carefully with Geiger counter and dip-needle. In many places the counter showed a high degree of radioactivity. The dip-needle, which registers the magnetic pull of the ores beneath the surface with which the rare earths are generally found, gave him the data necessary to make a rough contour map of the underground area. The ores were tracked by taking readings every fifty feet along grid lines covering all of Molybdenum's holdings. On the basis of this contour map, Bond was able to start the next phase of operations: digging trenches down to bedrock and taking samples there.

The Molybdenum holdings are located in the center of what prospectors call a "rim." The low, rolling hills around Oka actually form a rough circle of raised land, 200 to 300 feet above the flatlands along the St. Lawrence and Ottawa Rivers—the crater walls of a long-extinct volcano. Glacial action, eons ago, eroded these walls and scattered them out across the plains. Beneath them and within the circle, however, the volcanic "plug" has remained—a roughly dome-shaped ore deposit thrust up from the bowels of the earth, bringing with it the rare elements whose traces Bond had found above.

Whether the Oka "plug" contained rare earths in commercial quantities could not of course be determined accurately before the mineral dome itself was explored. This meant long months of weary and nerve-racking labor. As a first step Bond and a crew of men spent the summer digging a mile and a quarter of trenches all over the area, cutting through the topsoil and decomposed minerals to bring up samples of the bedrock. The new assays still looked promising. By February of this year, Bond was ready for the second and decisive step: he brought in a diamond drill which would bite down 500 or 600 feet to bring up cores from the center of the plug itself.

Over the grapevine

In any mining area a diamond drill is the sign of serious endeavor. When Bond brought in his rig, the word went out along the prospectors' grapevine into every corner of the nation. The *Northern Miner*, Canada's authoritative mining paper, broke the news of the Oka find. Suddenly the sleepy little town, hitherto noted chiefly for the cheese produced by the Trappist monks who for centuries have lived in silent seclusion in their monastery, was engulfed by waves of

HOW A CLAIM IS STAKED

- Staker's license (cost: $5) entitles him in surveyed areas to stake two claims himself, two more for two proxies, totaling 600 acres.
- Stakes must be 2"x2" or 4"x4". First stake is set in northwest corner, others follow in counterclockwise order at each corner of the claim.
- Stakes are marked with claim-holder's (or his proxy's) name, claim number, lot number (if in surveyed area), locality and date. Small tin tag (top, above) shows claim license number.

publicity on which the prospectors rode in like an invading army.

For Steve Bond, the rush meant the end of any attempt to keep his peace of mind. He was the man at the source. His every word spawned rumors which kept the prospectors and the stakers coming. He was on the hot seat, directing a half-million-dollar gamble; and he found himself harassed at every turn.

Within a fortnight thousands of acres around Oka had been staked, and the prospectors had even fanned out beyond the Lake of Two Mountains, eight miles away toward Montreal.

The summer inns and resort hotels of the area were doing a roaring business in the middle of winter. Many prospectors brought along their wives and even their children for the "vacation." Stakes blossomed everywhere—on fences bordering Oka farms, on trees in back yards in the small villages which dot the region, even in the apple orchards of the Trappists, who watched the invasion of the outside world with growing concern.

Unlike the nearby Iroquois Indian reservation, whose inhabitants were given mineral rights by the Crown, the Trappists hold only surface rights to their land. But their main concern is for their seclusion. "We don't want publicity," said their spokesman, Brother Leon. "We don't agree with the American saying: It pays to advertise. We want to be left in our solitude, otherwise we'll just be like the rest of the world."

There are a couple of different ways in which all of this activity could pay off profitably for the stakers. First, if Steve Bond's diamond drill cores produce good results, a lot of other mining companies will rush into the area, eager to buy land as close as possible to the "find"—the very land the prospectors have acquired. These companies must buy from them—and at the seller's price.

Also, stakers have bought shares of stock in some of the companies which purchased land around Molybdenum's. If the drilling reports are satisfactory, the price of these stocks will soar, not necessarily because of what has been found, but simply because the companies own land that is right next to a proved find.

Because of this, the stakers keep a shrewd eye on all stock exchange reports and some of the talk around their hotel wouldn't sound out of place in a Wall Street club. They know all about the companies—big and small—their finances, their plans, their personnel.

Besides Molybdenum, a couple of other mining companies are doing just preliminary work at Oka. One, Beattie-Duquesne Mines, Ltd,, has staked out a 6,000-acre claim to land adjoining the holdings which Bond is exploring.

Beattie-Duquesne heard about the Oka findings early in the game and sent its chief engineer, George Soper, to look the situation over. B-D is a small company mining gold on land around Duparquet, 500 miles north of Toronto, that was staked out as far back as 1910. "Ordinarily," said Soper, "we don't go in much for this sort of stuff," yet after carefully inspecting the Oka area, he hurriedly staked a big claim next to Molybdenum's 14,000 acres.

The problems raised by Beattie-Duquesne's holdings are typical of those confronting many smaller Canadian mining companies lusting to get into the big time. While Molybdenum is large enough to finance any new development at Oka out of its own reserves, B-D, which has been suffering from the decline of gold prices, would have to arrange new financing to exploit any deposits it found. Full-scale operations, even in the accessible Oka area, would cost upwards of $5 million before they brought in any return.

Big investments—for big gains

This figure seems forbidding enough to stop almost any small company from even considering such a venture. But the profit potentialities of big concentrations of rare earth are so enormous that many companies no bigger than Beattie-Duquesne would be happy to take the plunge. If Molybdenum's findings are favorable, and Beattie-Duquesne decides to drill on its own land, it will have little trouble in forming a subsidiary company to work its Oka holdings. Stock in the new firm would be snapped up by the public once the news of commercially valuable deposits was broadcast. B-D stockholders would have the option of buying the new stock way below the market price.

For the moment, however, Beattie-Duquesne is waiting, like everybody else at Oka, to see what will be found in the depths of the dome held by Molybdenum.

Marking stakes, *Ray Daniher (right) and helpers prepare for day's work in hotel garage. In deep snow, men use snowshoes (in background) and carry stakes on toboggan.*

So far the line of Bond's drilling points toward the Beattie-Duquesne property, indicating that whatever deposits Bond finds could continue on into B-D's land. George Soper hopefully expects that he will come back to Oka when the snows are gone and start diamond drilling on his own. But at $2.50 per foot of drilling, his company prefers to wait and see.

The cost of sinking a mine shaft is about $200 per foot; for the horizontal "drifts" opening the shaft laterally along the ore deposit another $30 per foot is estimated. But on the basis of the surface findings, the ores at Oka may be worth around $100 per ton as compared with $9.50 per ton for the copper and gold mined at Noranda, another rich deposit, or the $3.50 per ton of the gold which Beattie-Duquesne is mining now.

What all this means is that under optimum conditions, with a daily 2000-ton output established, the mine would gross between $50 and $60 million a year. Conservative businessmen have risked considerably more than $5 million on less promising ventures.

For the stakers and prospectors in the Oka area, there are problems of a different kind, some of them brand-new. "De luxe" prospecting, they are learning, has its drawbacks. Out in the bush, for example, the stakers work with rough maps in virgin wilderness; claims are generally staked by cutting down a handy

Placing stake, *Daniher ties it onto farmer's fencepost with wire. Out in the "bush," trees are often used to mark out claims, but in developed area this is illegal.*

Courtesy *Financial Post*, Toronto, Canada, by special permission

tree to a four-foot height, then squaring off the stump to make a marker measuring four inches on each side. Here, in the farmed and built-up Oka area, survey lines are often out of date and confusing, and trees can't be used as markers. Often the stakes which they hammer into the frozen ground or tie to trees and fenceposts mysteriously disappear. Children pull them up on their way to school, or angry farmers who see the land of their forefarthers invaded take them away at night.

Disputes over overlapping claims or unstaked lines are frequent, and sometimes tense arguments spring up in the hotel rooms after dinner.

A fast buck for jumpers

Claim-jumpers inevitably make their appearance. For the unscrupulous, there is unlimited opportunity. To make a fast dollar, a man sometimes jumps a previously staked claim and thus threatens to tie up the property. Rather than have a protracted dispute keep their land unsalable in a boom, many prospectors prefer to make a settlement, giving in bitterly to this semi-legal form of blackmail.

In the face of any such threat, however, prospectors close their ranks to form a solid front against the claim-jumper. "In the old days," said Jack McCall, "guys like that used to be shot. We don't do that today—but believe me, the word goes around. It doesn't take long for the grapevine to spread it. 'So-and-so's a claim-jumper,' one guy tells another, and pretty soon it's all over the bush and he's frozen out. There's some that will run him right out of town, maybe beating him up along the way; usually he'll never stick his face in any claim again. We're a close-knit bunch, and most guys know it's more profitable to stay on the right side of the line in the long run."

Prospecting today is not a shoestring proposition. Out in the bush it takes $10,000 to maintain one man for a year—the cost of flying in supplies is high. But in "plush" Oka there are hotel bills to pay, and liquor bills for scotch whisky at $7.90 the imperial quart, and telephone calls nightly to distant companies reporting on a staker's progress. Men like McCall and others find themselves maintaining not only the men working for them but their wives as well. The cost of local labor comes to around $20 daily, and even a Quebec policeman on holiday, Philippe Cadieux, is not above cashing in on the sudden demand.

As the area immediately around the Molybdenum holdings was staked up, prospectors fanned farther afield. Some did not even bother to check their claims with Geiger counters or dip-needles; it was enough if they were in "rim country," similar in geological formation to the Oka area. The Bureau of Mines branch in Montreal did a land-office business in licenses, issuing more than a thousand by early March, a fortnight after Steve Bond's first findings were reported in the press. In the Montreal newspapers, advertisements appeared offering the services of professional prospectors to

Montreal residents who owned land in Oka. Greenhorns from the city further complicated matters by staking illegal claims.

Through all the hectic weeks when the land was being snatched up all around them, Molybdenum Corporation's diamond drills bit steadily through the "overburden" into the bedrock below, taking a sample every five feet at a cost of $160 for each assay. In driving snow and bitter cold, or steady rain and dripping slush, Steve Bond carefully followed the contours shown by his dip-needle readings and plotted the line of future drillings even as a new drillhole was begun. By early March, the fourth hole was well on its way down to the 500 or 600-foot level of the dome, with cores arriving steadily at Molybdenum's New York laboratory for assaying.

The fortunes of men, a nation's destiny

What they contain, probably not even Steve Bond knows for sure; his own field analyses can give him only superficial indications. But one clue came soon after the first samples were removed from the drill and stored in a core room for shipment. Their radioactivity was so intense that in a couple of days Bond could no longer take accurate Geiger counter readings in the room—the samples had contaminated the walls.

News of things like this keep a boom going, for on such reports and rumors men's hopes feed. Sober words of caution go unheeded when the fever starts. "No matter what I say," Bond remarked with some bitterness recently, "they take out mostly only what they want to hear." Serious prospectors like Jack McCall or the almost legendary clan of the McDonoughs know that a boom can collapse as fast and as completely as it began. For them, it is all part of a carefully calculated business. "Whatever happens here," said Mick McDonough the other day, "we'll be somewhere else next week, out in the bush most likely, eating beans at 50° or more below. Because that's what prospecting is, in any age—no matter what you find, you always keep on looking."

But when the prospectors have done their job, the stakes which symbolize the tantalizing question of the Oka hills will remain. And on this question hang today the fates and fortunes not only of men like Steve Bond, George Soper, and Jack McCall, but the destiny of great, far-off corporations as well. Perhaps to some extent, because of the nature and strategic importance of the precious ores which are involved, the answer will influence even the destiny of the nation.

Prospector's gear *is displayed by Kervin McDonough and his wife Delcy. They carry three Geiger counters and dip-needle (lower left), sleeping bags, packsacks, snowshoes, stakes and the essential prospector's tools: his mattock and his axe.*

What's the world up to?

WASHINGTON:

Foreign Trade Program Eisenhower Test

WILL President Eisenhower, his prestige battered by the Stevens-McCarthy-Zwicker fracas, be able to jam through an admittedly reluctant Congress a program for liberalized foreign trade?

Will the President "go down the line" in favor of lower tariffs and freer international commercial exchange—and thus risk further repudiation by his own party in the Senate and House—in his forthcoming foreign trade message to Congress?

White House intimates insist that he will, and that the message, in defiance of the diehard Republican protectionists, will call for legislation which will drastically lower existing trade barriers and facilitate the exchange of goods and services throughout the free world.

But Washington observers, while impressed to some degree by the off-the-record muscle-flexing of Eisenhower's entourage, remain skeptical.

They admit that the "new Eisenhower" showed great strength and determination in his stubborn and successful fight against the Bricker amendment. But they point out that the senior Ohio Senator's drive to curb the President's authority in foreign affairs failed by only one vote, and that a preponderance of Republicans voted for it.

They also recall that, in the Stevens-Zwicker affair, the President apparently postponed as long as possible a direct showdown with McCarthy, and even when he endorsed Senator Flanders' attack did not mention McCarthy by name.

There are, nevertheless, definite indications that President Eisenhower may insist on a strong free trade program from this session of Congress.

Arthur Dean
A sacrifice to the China Lobby

His own convictions, buttressed by his international experience as Allied and then NATO commander, are known to favor such a policy.

Persuaded against his will by political "experts," he burned his fingers early in his administration by appointing protectionist Joseph E. Talbott to the Tariff Commission and by approving the rejection of lower bids for electric power equipment made by foreign firms. He is believed anxious not to repeat these "mistakes."

The foreign trade message and the accompanying legislative program are being drawn up by two tough and relatively liberal experts on international commerce, Gabriel Hauge and Clarence Randall.

The first is the chief White House adviser on concrete economic problems; the second, Chairman of the Board of Inland Steel, headed the President's Commission on Foreign Economic Policy whose report advocating the liberalization of US trade policies raised economic hopes everywhere.

Tricky Congressional roadblocks, however, lie in wait for such a program. The opposition is strongly entrenched in the House Ways and Means and Senate Finance Committees. In addition, the keystone of an enlightened international trade policy, the reciprocal trade agreements, expires June 12.

President Eisenhower
To strengthen world trade . . .

• WHILE the outlook at Geneva is admittedly not too rosy, Administration spokesmen are beginning to express a wary optimism that the talks will have some positive results.

They insist Secretary Dulles won a victory at Berlin by showing that Soviet policy in Europe is "stale, sterile, and Stalinist," and say Moscow's Asia policy may be exposed to the same withering light in the talks by the Swiss lake.

Dulles, furthermore, "does not wholly exclude the idea that the Soviet Union might in fact want peace in Asia" before the Indo-China situation gets out of hand and threatens a third world war.

For this reason, it is believed Molotov accepted the "non-recognition clause" in the Berlin decision to ask Communist China to Geneva.

Clarence Randall
. . . a policy of liberation?

John Moors Cabot
A come-down at Caracas

• STATE DEPARTMENT and Foreign Service personnel, demoralized by the four-year McCarthy campaign to tar them with the brush of subversion, received a badly needed boost in morale from two recent developments in their favor.

The first, of course, was Secretary of State Dulles' order stripping the Department's security chief, R. W. Scott McLeod, a friend of the Wisconsin Senator, of authority to hire and fire employees.

The second shot in the arm was the appointment of a special committee, headed by Dr. Henry M. Wriston, president of Brown University, to devise means of improving the shattered morale of the diplomatic service.

The committee is to some extent the outgrowth of the letter to *The New York Times* from five eminent former diplomats deploring the "sinister results" of existing security and personnel policies. The letter said such policies seemed to be "laying the foundation for a foreign service competent to serve a totalitarian government rather than the government of the United States as we have heretofore known it."

One of the signatories, former Ambassador Norman Armour, is a member of the Wriston committee.

• BUT, while the Department took two long strides forward in the matter of morale, it also gave the appearance of taking two steps backward from solid support of its members.

On the eve of the Inter-American Conference at Caracas, it replaced the veteran John Moors Cabot as Assistant Secretary for Inter-American Affairs. And, in apparent anticipation of the projected Far East conference, including Red China, at Geneva, it accepted the "resignation" of Arthur Dean, whose firm conduct of the Panmunjom talks won almost unanimous praise.

Cabot, who differed with his Administration colleagues over increased Export-Import Bank loans to Latin America, was named Ambassador to Sweden. His successor at the Latin American desk is Henry F. Holland, a Texas lawyer who is said to speak Spanish perfectly.

Insiders insist that the brilliant Dean, whose absence will gravely weaken the US Geneva delegation, was a sacrifice to "China Lobby" chieftain Alfred Kohlberg, who reportedly sent Dean at Panmunjom a pair of rubber gloves for his "bloody hands." Kohlberg is said to have made the same gracious gift to British Opposition Leader Clement R. Attlee.

UNITED NATIONS:

UN Plans Action If Geneva Fails

THE United Nations, as such, will not be represented at the forthcoming Geneva conference on Korea and Indo-China, but its high officials expect it to bounce right back into the international picture if—as seems likely—the talks fail to settle the two issues.

Such an eventuality will provide the Secretary General, Dag Hammarskjoeld, with his first test by fire, and intimates say he intends to meet it head-on.

The Secretary General possesses extensive authority under the Charter, including the right to bring political problems before the Security Council and the General Assembly on his own initiative as an international "entity."

Hammarskjoeld's predecessor as Secretary General, Trygve Lie, exercised this privilege at the outbreak of the Korean War. He personally submitted the issue of Communist aggression against South Korea to the Security Council as a "threat to peace." If the Geneva conference fails to settle the Korean War this spring, Hammarskjoeld could take the same kind of initiative to restore the issue to United Nations jurisdiction.

It will be up to him to ask the Great Powers to fish or cut bait—that is, to recognize the UN as a functioning political instrument with the responsibility for maintaining world peace, or else to allow it to degenerate —as did its predecessor the League of Nations—into a debating society.

High UN officials, while putting on a brave face in public, are not pleased that the world organization will be ignored at Geneva, even though the Korean War was fought in its name.

They point out that, in contrast, any nation which sent troops to Korea, including such "major powers" as Luxembourg and Ethiopia, has the right to representation at the conference.

Meanwhile the official line is optimism at the Geneva prospects, on the theory that whatever helps peace helps the UN.

• WHEN the Economic and Social Council reconvenes during April, Soviet delegates will attempt to drive a wedge between the US and its allies by depicting Washington as the major obstacle to increased trade between East and West.

Trader Vishinsky

The Soviet Union's propaganda experts regard as the major soft spot in the West's armor the desire of many of America's friends and associates to expand their trade with the Communist bloc. These include Great Britain, West Germany, Japan, and the Latin American nations.

UN experts expect that Soviet Deputy Foreign Minister Vishinsky and his satellite subordinates will make an all-out attack on alleged US "selfishness" and also will make spectacular—if unworkable—proposals for the lowering of international trade barriers.

• THE UN's specialized agencies, which have found it almost impossible to hire US experts, particularly for

Tribune Hammarskjoeld

short-term technical assignments, because of the slow pace of security clearances, have recommended the following procedural changes to permit increased employment of Americans in international work:

1. Elimination of clearances for unsalaried experts serving on advisory panels.

2. Elimination of further investigation where the person concerned already has been cleared for employment by the US government.

3. Temporary hiring of the person concerned while the check is being made, with the understanding that he or she will be discharged if the report is unfavorable.

The House Foreign Affairs subcommittee investigating the situation has voiced sympathy for the agencies' problem, but is not favorably impressed by the recommendations.

LATIN AMERICA:

Caracas Parley A Dulles Victory

US DIPLOMACY, after a fumbling, inauspicious start, scored an unexpected success at the Tenth Inter-American Conference, which bluntly warned international communism to keep hands off the Western Hemisphere. The seventeen-to-one vote in the Political and Juridical Committee was a resounding personal triumph for Secretary Dulles. (Only negative vote was by the obvious target of the resolution, Guatemala).

The US resolution was pushed through with a single amendment, the provision for "consultation" among the American states before the "appropriate action" provided for in the original draft.

This modification, proposed by Colombia, went far to dissipate Latin American fears that, despite Secretary Dulles' disclaimers, " appropriate action" would be tacit authorization of the area's traditional bogey—intervention by the US.

Three other developments played a major part in producing the welcome change in atmosphere. They were:

1. The offer of an Inter-American Economic Conference, something our southern neighbors have been seeking since the end of World War II.

2. Offers to lower tariff barriers and make other trade concessions. These are considered precursors of further US aid in stabilizing Latin American trade, including new Export-Import Bank loans if neither private nor World Bank credit is available.

3. The favorable impression made by Dulles and the new Assistant Secretary for Inter-American Affairs, Henry F. Holland, who replaced John Moors Cabot on the eve of the conference.

The US, however, stood firm in refusing one avidly desired concession, higher prices for Latin American raw materials such as Chilean copper and Bolivian tin.

A major factor in swinging the conference over to Washington's point of view was the forthright support of Brazil, traditionally the best friend the United States has in South America.

But the US victory was by no means complete. Although the conference voted overwhelmingly in Washington's favor, two major Latin American powers, Mexico and Argentina, carefully refrained from going on record.

Agentina's President Perón is trying to build up his own economic and political hegemony at the expense of US influence. He can be expected to exploit the latent resentments which still exist—resentments which will presumably continue for a long time to come.

The Mexican abstention was one of the few failures in recent years of our south-of-the-border neighbor to line up solidly with Washington in international affairs. It was motivated by Mexico's reluctance—explained by her history—to approve any measure which contains even the slightest possibility of "internationally legalized" intervention by the United States.

• LUIS QUINTANILLA, the Mexican representative on the Council of the Organization of American States, is expected to be the next Secretary General of the Pan American Union, permanent organization of the OAS between council sessions and Inter-American conferences.

The post was made vacant by the retirement of Alberto Lleras Camargo of Colombia. He announced his resignation, effective at the close of the Caracas talks, to assume the rectorship of the University of the Andes in his native country.

Other candidates under consideration are Ricardo Alfaro, former President of Panama, and Luis Alvarado

Amigo Dulles

Caracas: changing horses in mid-conference

Henry Holland (left) swears in as Assistant Secretary for Inter-American Affairs

Garrido of Peru, Assistant Director General of the UN's International Labor Office.

• PRESIDENT PERON's supporters are expected to win another carefully contrived victory on April 25, when Argentine voters elect a Vice President and roughly half the members of the Senate and House of Deputies.

Consequently, behind the façade of government-sponsored enthusiasm, the mass of Argentines look forward to the balloting with resigned apathy.

Peronistas are expected to win every one of the eighteen Senate seats at stake—all of the present thirty-four Senators are party supporters—and virtually all of the seventy-four House vacancies. One third of the party candidates are women.

There are fourteen Radical party deputies—the only opposition—in the existing 149-member House, but even this tiny group is expected to be cut drastically.

Certain of election to the vice-presidency is Peronista party chairman Alberto Tesaire, so far the only candidate, although the Socialist party talks of running Guillermo Bonaparte against him if guaranteed full freedom to campaign.

Tesaire, who resigned from the Senate to make the "race," is Perón's own choice as successor in case of the President-Dictator's death or incapacity.

In August 1952, when Vice President-elect Hortensio Quijano died before he could assume office, Tesaire, a retired Rear Admiral, was named by Congress "Provisional President in case of *acephalism* [lack of head of state]."

• ARGENTINA is running into stiff resistance in her attempt to obtain more than the world price for her wheat from Brazil, which normally imports more than a million tons annually.

Last year Brazil gave the equivalent of $112 per metric ton for Argentine wheat, while paying Finland, Canada, and Turkey only slightly more than $70.

This year, however, with new contracts drawn up for 200,000 additional tons of Canadian wheat at about $75 per ton, and 100,000 tons of Turkish wheat at about $70, the Brazilian negotiators are offering Argentina only $80.

The *Review of the River Plate*, the leading Buenos Aires business and economics publication, admits that the "loss of the Brazilian market for wheat would be a sad blow to local exports of this commodity, already likely to be substantially curtailed as a result of Brazil's purchases in other countries."

• THE Peronista plans for economic and political hegemony also face a possible setback in Chile.

The Chilean government recently announced that it would put into effect by executive action—and without Senate approval—the treaty of economic union concluded at Santiago, February 19, 1953, between Perón and Carlos Ibañez, the President of Chile.

The Senate opposition leader, Radical party chief Isauro Torres, countered by moving the impeachment of Foreign Minister Tobias Barros Ortíz. He charged Barros with violating the constitutional provision that all treaties must be ratified by the Senate.

• MEXICO's Defense Department, during the current year, will devote most of its budget to construction and improvement of camps and bases.

Buying in the US will be limited to replacement parts for weapons and equipment purchased earlier.

SOVIET BLOC:

Malenkov Weakening; Marshals Move In

PREMIER MALENKOV is losing ground to Army-backed Foreign Minister Molotov in the bitter struggle for Soviet government and party control that has been raging ever since the execution of the third member of the post-Stalin triumvirate, Lavrenti P. Beria.

Malenkov, advocate of an elastic

Vrij Nederland

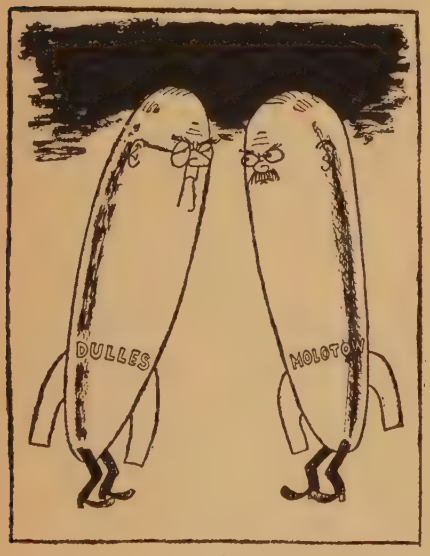
The riddle: power

policy designed to split Great Britain by appearing, at least, to offer important concessions, suffered a major defeat at Berlin, where Molotov hewed adamantly to the classic line of Soviet intransigence.

Malenkov's chief countermove so far was his address March 12 in which he admitted that atomic war could only bring destruction to both sides, and called for peaceful coexistence and an end to the cold war.

While his address necessarily defended Molotov's Berlin proposals and his condemnation of EDC and other Western defense plans, it was very much more conciliatory in tone than a speech which the Foreign Minister had delivered a day earlier.

It was thus, to some extent, an admission of disagreement in the top ranks of the ruling Presidium—and a challenge to the Molotov group. At the very moment the Berlin talks were



Frankfurter Rundschau

Atom Talks

going on, Malenkov's internal control suffered a severe blow when his only completely reliable supporter and agent in top Army administration was, in effect, exiled.

This was Lieutenant General Leonid I. Brezhnev, the No. 2 man in the Army's political administration. Malenkov had transferred Brezhnev to that post from his own secretariat when he assumed the premiership after Stalin's death.

Cast into the outer darkness at the time was another highly placed Malenkov supporter, Minister of Culture Panteleimon K. Ponomarenko.

Marshal Timoshenko

For White Russia: a Red strong-man

It was announced with great fanfare, in a transparent effort to save face, that the two were assuming posts of major importance in the Kazakh SSR, but they couldn't have been sent much farther from Moscow—except to a Siberian labor camp.

Brezhnev, when he first took over his new job, had worked closely with the Beria supporters in the Army command. But the execution of the boss of the secret police and the subsequent fierce purge of his followers gave Brezhnev—and his master Malenkov—what seemed to be a free hand in determining Red Army policy, especially in the highly important field of personnel.

Observers believe that Brezhnev's exile, which places the administration of the Army entirely in the hands of the marshals—at present supporting Molotov—the most significant event since the fall of Beria. The same group is moving to assume full control of the strategic USSR republics closest to the satellites and Western Europe.

When the repercussions following the Beria ouster died down, General A. I. Antonov emerged as Interior Minister of Georgia.

War hero Marshal Semyon K. Timoshenko, after years of eclipse, has become not only military commander but also Vice Premier and assistant party secretary in Byelorussia (White Russia), with headquarters at Minsk, not far from the Polish frontier.

Marshal Ivan K. Bagramian has taken over the same three posts in Estonia, with headquarters at Riga.

These last two appointments are especially significant because Stalin, during his postwar regime, rigorously excluded military chieftains from top party and government office.

With the western border republics now in their hands, the marshals' group can be expected to strive to push inward from the periphery until they control first the Ukraine, then the Russian SFSR—the major unit of the Soviet Union—and finally the central government itself.

But Malenkov can be expected to fight bitterly to retain power. Consequently an all-out—if undercover—internal conflict is in prospect before any decision is reached, and it is likely to continue for months or years.

Who are these marshals, and what are their aims and beliefs?

The major members of the group are First Deputy War Minister, Alexander M. Vasilevsky, the Army's chief of staff; Vasily D. Sokolovsky; and Leonid Govorov, who has a strong Army following.

They are, by conviction, Great Russians, convinced that Russia's destiny is, by example as well as propaganda and conquest, to lead the world to communism. They are Pan-Slavists, convinced that Russia's Slavic brothers should first receive the Communist gospel from Moscow's hands. They are Stalinists, convinced that socialism must first be "built in one country"—the USSR. They are militarists, convinced this can be done only with the Army in the saddle.

Thus, their goal is a strong, Communist Soviet Union and satellite empire under strict military control—and the Devil take the West.

Who Will Be The Next Pope?

When Eugenio Cardinal Pacelli was elected Pope in 1939, the choice was an easy one for the Sacred College. Through long and outstanding service as Papal Secretary of State, he had acquired the virtually unanimous admiration of his peers. It will be much more difficult to agree on a successor to him when the time comes.

The difficulty will stem largely from the fact that after the death of Cardinal Maglione in 1944, Pius XII decided to act as his own Secretary of State. Thus no one of the Roman Cardinals today possesses the universal prestige he enjoyed fifteen years ago. The only prelate who approaches the Pope in popularity is Monsignor Giovanni Battista Montini, one of his two under-secretaries of state. If Montini's name were put forward in the conclave, he would probably be able to secure the necessary two-thirds majority.

Monsignor Montini, however, is not a Cardinal; he refused the honor when it was offered to him in 1945. In theory, there is nothing to prevent the Cardinals from electing a prelate of lower rank as Pope, but age-old tradition is against such a choice.

Under these circumstances no fewer than eleven Cardinals are now mentioned as *papabili*, or "papable"—that is, as having a real chance. Seven are Italians and therefore are in a better position than the other four, since no non-Italian Pope has been elected since Adrian VI in 1522. What may be more important are the various schools of thought within the Church which these men represent.

Although the Vatican is loath to admit such shades of opinion, the *papabili* are generally divided into "modernists," "integrists," and "middle-of-the-roaders." The Church's future course will in great part be determined by the group from which the next Pope is chosen.

Champion of the "modernists" is the 63-year-old Archbishop of Bologna, Giacomo Cardinal Lercaro, who was a resistance fighter in World War II and a simple parish priest as late as 1946. In the postwar years, he built settlements for the homeless of Ravenna and Bologna and organized squads of so-called "flying priests" who operate in the heartland of Italian communism, bringing clothes, food and solace to the poor. His unconventional initiative made him so well known that Giovanni Guareschi used him as the model for his famous Don Camillo. Lercaro received the Cardinal's hat in 1953 but his very dynamism is likely to handicap him as a contender.

Another leading "modernist" is Giuseppe Cardinal Siri, the youngest member of the Sacred College. Only 48, he nonetheless has acquired a nationwide reputation for his work on behalf of war victims and the unemployed in his diocese of Genoa. Despite the fact that they are relative "newcomers," it is believed that both Lercaro and Siri could count on the votes of the French Cardinals—Feltin, Gerlier, Saliège and Liénart—and of Cardinal Schuster of Milan.

Strongly opposed to the Franco-Italian modernist group are the so-called "integrists"; they represent the conservative elements of the Church and want no part of "revolutionary techniques." Their spokesman is Alfredo Cardinal Ottaviani, Assessor of the Holy Office, and a sharp critic of what he calls the "errors" of the French Church in handling the controversial worker-priests. Cardinal Ottaviani may have taken too drastic a stand on such social issues to qualify for Pope himself, but there is no doubt that his integrist views are shared by almost the entire high clergy of Germany, Spain and South America, as well as a majority of the Italian Cardinals.

If the integrists stick together, they may be able to impose one of their favorites on the Sacred College. The name of 66-year-old Ernesto Cardinal Ruffini is frequently cited as the probable candidate. He has had a discreet career in the Roman congregations and has spent many years on missions in Argentina and the Middle East.

Other integrists who "have the stuff to make great Popes" are Samuel Cardinal Stritch, Archbishop of Chicago, Crisanto Cardinal Luque, Archbishop of Bogotá, and Josef Cardinal Wendel, Archbishop of Munich, but nationality makes them outside possibilities.

In contrast, nationality may not decisively rule out Gregory Peter Cardinal Agagianian, who was born in the Caucasus in 1895. A former student of the College for the Propagation of the Faith, Cardinal Agagianian has spent most of his career in the Vatican, where he is considered virtually a "Roman" prelate. In 1921, he carried on his ministry in Tiflis, Stalin's birthplace. Later he went to Lebanon, where in 1937 the synod of Beirut elected him Patriarch of Armenia.

Cardinal Agagianian speaks Russian, Armenian, French, English, and Italian fluently. He enjoys a great authority among the other Cardinals and would have the unconditional backing of Cardinal Ottaviani and Cardinal Tisserant, Secretary of the Sacred Congregation of the Oriental Church. Agagianian is also persona grata with the American Cardinals, who found him sympathetic during his recent visit to the US. In the eyes of the world, his election would symbolize the Church's firm resolve to resist the onslaught of atheist communism.

If neither a modernist nor an integrist wins a two-thirds majority, the College will look for a compromise figure—one of the older Cardinals, who would be elected as a "Pope of transition," one whose age precludes a long pontificate. As the most likely choice in such a situation, insiders pick 71-year-old Valerio Cardinal Valeri, Prefect of the Congregation of Orders, who also has served as nuncio in Paris. A churchman of vast culture and erudition, Valeri has always stayed sufficiently aloof from doctrinal controversies to be acceptable on all sides.

Spring Books Are Here

Reviewed by
Edward T. Chase

Human Rights: "No human being shall be subjected to torture . . ."

BUT WE WERE BORN FREE, *by Elmer Davis. Bobbs-Merrill; 229 pp., $2.75.*

Four of the chapters which comprise this commentary on the contemporary scene discuss subjects of vital importance to every American: the current assault on the freedom of the mind; the Constitution and the Bricker amendment; the need for greater objectivity in the daily press; and the ridiculous deference shown former Communists. There is a wistful essay on the trials and compensations of old age (the flesh wanes but the spirit waxes), and a magnificent closing piece on the probable life expectancy of the Western world, with a trenchant aside on McCarthyism.

Mr. Davis' radio and television listeners will find here, in more permanent form, the qualities that have made him one of America's most authoritative news commentators: intelligence, biting wit, mastery of his facts, balance, and, above all, an old-fashioned faith in reason.

MCCARTHY AND HIS ENEMIES, *by William F. Buckley, Jr., and L. Brent Bozell. Regnery; 413 pp., $5.*

Some day this book may be a collector's item, for such monumental gall is rare. Ostensibly it is a searching examination of McCarthy, recounting in impressive detail his experiences with the Tydings Committee and his war with the State Department. Actually, however, it is an apologia that slyly evades or distorts crucial facts while freely admitting that the Senator is not entirely without blemish.

The spectacle of these glib young writers condoning McCarthy's reckless irresponsibility, his bullying of helpless witnesses, and his brazen use of the half-truth for character assassination is not only distasteful but baffling. It inevitably raises the question: What, in all conscience, are these clever young men up to; what is their cause?

THE TEST OF FREEDOM, *by Norman Thomas. Norton; 211 pp., $3.*

Accurately subtitling his book "The state of liberty under the twin attacks called McCarthyism and Communism," Mr. Thomas clarifies such pressing matters as the extent of present Communist infiltration, loyalty and security checks, the Jeffersonian ideal, the Bill of Rights, McCarthyism at state and local levels, the problem of Communist teachers, and the inequities of the Smith and McCarran Acts. One wishes he had developed his concept of McCarthyism as a sixth column more fully.

The impartiality of his discussion of the problem of Congressional investigations and individual rights is impressive. It will displease the ritualistic liberal as much as the partisan rightist. So will his beautifully balanced evaluation of the Brownell-Harry Dexter White case, an affair in which, quite properly, no participant emerges unscathed.

The Test of Freedom rivals Elmer Davis' book as the most salutary publishing event of the new season—in short, a real spring tonic.

AMBASSADOR'S REPORT, *by Chester Bowles. Harper; 415 pp., $4.*

All Americans are in the debt of this good man. His book shows the unconventionality, perceptiveness, and ability which made his ambassadorship to India a telling but all too brief success for the West.

THE ARAB WORLD, *by Nejla Izzeddin. Regnery; 412 pp., $6.50.*

An excellent guide to the present-day Arab scene, which includes a lucid analysis of the premises and goals of Arab nationalists.

BREAKTHROUGH ON THE COLOR FRONT, *by Lee Nichols. Random House; 235 pp., $3.50.*

An exhaustive case history of the integration of the Negro into our armed forces, a belated but momentous achievement in American racial relations which should be trumpeted around the globe.

STEMMING THE TIDE, *by Winston S. Churchill. Houghton Mifflin; 379 pp., $5.*

Fifty of Churchill's speeches made after his return as Prime Minister. Interesting in themselves, and absorbing in the context of parliamentary debate, as they are here presented.

CHURCHILL BY HIS CONTEMPORARIES. *Edited by Charles Eade. Simon & Schuster; 435 pp., $6.*

Thirty-nine portraits by all manner of people from Eisenhower to Hitler and presenting such disparate views as "Churchill at Harrow" and "Churchill's Place in History," with side lights like Eleanor Roosevelt's "Churchill As Guest" and C.I.D. Inspector Thompson's "Guarding Mr. Churchill."

ELEVEN BLUE MEN, *by Berton Roueché. Little, Brown; 215 pp., $3.50.*

Fascinating case histories of medical detection, ranging from gout to the lethal fog in Donora, Pa. In his vivid, suspenseful narratives, the author stresses the preventive sleuthing of public health authorities who track potential epidemics to their sources.

POWER OF WORDS, *by Stuart Chase. Harcourt, Brace; 308 pp., $3.95.*

The author of *The Tyranny of Words* uses the latest findings of semantics to show us how we can better understand and adjust to our increasingly bewildering world.

SEVEN YEARS IN TIBET, *by Heinrich Harrer. Translated by Richard Graves. Dutton; 314 pp., $5.*

The strange tale of a German mountaineer who became an enthusiastic expatriate in "forbidden" Tibet. Interned in northern India by the British at the outbreak of the war, he escaped with a companion in 1944 and crossed the Himalayas to Lhasa, where he won the intimate friendship of the young Dalai Lama.

COMPANY MANNERS: A CULTURAL INQUIRY INTO AMERICAN LIFE, *by Louis Kronenberger. Bobbs-Merrill; 229 pp., $3.*

Urbane essays by the drama critic of *Time* which exhibit a cultivated distaste for such aspects of American culture as Broadway's commercial theater, the American wisecrack, educationists, television, and our slavish will-to-conform—a familiar indictment but argued with wit and skill.

THE URGE TO PERSECUTE, *by A. Powell Davies. Beacon; 219 pp., $2.75.*

This passionately felt book by the celebrated Washington minister gives case histories of government workers who have suffered irreparable damage from Congressional vigilantism, plus an interesting—though unresolved—discussion of the justification for invoking the Fifth Amendment.

THE NEGRO IN AMERICAN LIFE AND THOUGHT, *by Rayford W. Logan. Dial; 380 pp., $5.*

A study of the post-Reconstruction period (1877-1901), when the Negro was denied his basic rights provided by the Fourteenth and Fifteenth Amendments and lived in a no-man's land between slavery and freedom. An original contribution to our history, valuable to the layman.

THE WILD PLACE, *by Kathryn Hulme. Little, Brown; 287 pp., $3.75.*

A heartbreaking description of the young author's experiences from 1945 to 1951 as deputy director of UNRRA's center in Wildflecken, Germany, caring for displaced persons.

THE MANNER IS ORDINARY, *by John LaFarge. Harcourt, Brace; 408 pp., $4.75.*

The autobiography of one of America's best-known and best-loved Catholics. Especially interesting is the account of his fifteen years' work among Southern Negroes, his long career as a journalist, and his establishment of the Catholic Interracial Councils.

WE CHOSE TO STAY, *by Lali Horstmann. Houghton Mifflin; 207 pp., $3.*

The author and her husband decided not to leave their German estate when the Russians came in. Madame Horstmann is no ordinary woman and this is no ordinary book. A moving—and hair-raising—account of the Russian soldier-in-occupation.

From the University Presses

THE SOUTH AFRICAN WAY OF LIFE. *Edited by G. H. Calpin. Columbia; 200 pp., $3.50.*

An outstanding collective effort to present a factual picture of South African society, written for the most part by South African experts. A volume in the valuable "Way of Life Series" prepared by the International Studies Conference at the request of UNESCO.

CIVIL LIBERTIES AND THE VINSON COURT, *by C. Herman Pritchett. Chicago; 297 pp., $5.*

An informative study of the Supreme Court's handling of civil liberties cases from 1946 through 1953 in the heat of the cold war.

THE PROPHET ARMED. TROTSKY: 1879-1921, *by Isaac Deutscher. Oxford; 540 pp., $6.*

The first installment of a projected two-volume portrait of the man the author calls the real hero of the Russian Revolution. A controversial but stimulating analysis of the USSR's rejected Founding Father.

SURVIVAL THROUGH DESIGN, *by Richard Neutra. Oxford; 384 pp., $5.*

The eminent city planner advocates adopting a new criterion of the worth of *all* man-made objects, even communities: judge them by their beneficial or harmful impact on the brain as determined by modern scientific techniques. Hard going, but worth it.

THE ALLIES AND THE RUSSIAN REVOLUTION, *by Robert D. Warth. Duke; 294 pp., $4.50.*

How successful was the diplomacy practised by the other Allied Powers in the first year of the Russian Revolution? A complete fiasco, says the author.

MEN AND SUPERMEN, *by Arthur H. Nethercot. Harvard; 321 pp., $5.*

Analytical descriptions of nearly all the characters in more than fifty plays and five novels by Bernard Shaw.

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A GOOD NEIGHBOR CHALLENGES THE U.S. *continued from page 12*

leader with experience in public speaking in English. He was incorruptible, indifferent alike to money, influence and fame. And he had ideas, dozens of them, about economics, sociology, education, finance, government, international relations, ethics.

His most difficult task was to explain to North American businessmen his attitude toward their foreign investments. Admitting that American capital had made lasting contributions to backward countries, he nonetheless maintained that new conditions called for a new approach. The US, he argued, must decide what it really wants from its neighbors to the south.

Does it want them to continue to be backward sources of raw materials, places to be exploited until the well runs dry? Then let the US continue the old system of foreign capital investment on a long-term, large-scale basis, with American business taking over great segments of the Latin countries, paying few or no taxes, subject in haphazard fashion to local laws. This would assure US industry a steady supply of oil, tin, bananas—and an even steadier supply of ill will and hatred which, growing faster than tropical fruit, would one day yield a bumper crop of disaster.

Or does the US want what it says it wants—healthy, progressive neighbors who will be buyers of its industrial products in peace and willing, productive allies in war? Then let US capital assume a new role: that of agent rather than owner, of administrator and adviser rather than possessor. Let investments be made with a time limit in mind, and with the provision that the US company will sell out its interests to local investors by a mutually satisfactory date.

This was Figueres' message. It was probably inevitable that his own people would call him back once more to head their government, and give greater weight to his words. He was returning now at the peak of his powers—as an older, wiser man who had learned the cost of responsible leadership, the loneliness of ultimate decision. He had learned, too, that to make a dream reality one sometimes has to sacrifice part of the dream.

When he made his inaugural address last November, Figueres was accepted as Central America's key spokesman. He will set the pace of the future social and economic movements in that area. He will use his little country as a testing ground of long-range plans for the whole region, just as today he is using his negotiations with the United Fruit Company in that sense. And he will try to give some kind of economic reality in the Caribbean to Bolivar's mighty dream of a union of all the Americas whose destinies are so indissolubly linked.

Nehru's Foreign Policy *continued from page 30*

ern domination rather than defenders against Communist aggression.

In opposing the American arms plan for Pakistan, Nehru said that military aid from the West to a country of the East reminded him of "the history of the last three or four hundred years, the history of colonial domination gradually creeping in here and establishing itself." To him and to other Asians the importation of Western arms into Asia is a "reversal of the process of liberation." The trauma suffered during the colonial period predisposes Indians to discover imperialism in all Western actions. It is always up to the Western powers to prove their innocence.

Many Indians fear that America's power (overemphasized in American propaganda) and her racial discrimination (greatly exaggerated by Communist propaganda) will make true cooperation, on a basis of equality, very difficult. These two issues are not serious enough in themselves to cause friction between the two countries. But they are part of the background against which India has elected a policy of aloofness from the United States.

Scrutinizing American actions in Europe and Asia for evidence of pressure politics, Indians frequently can find justification for their fears. They are truly shocked when so many Americans—including high officials—deny them the right to their own opinions and question their motives as "pro-Communist." They discern an air of superiority, a trace of the totalitarian mentality, in the American tendency to regard as enemies all those who do not conform to the American view. They do not agree that what is good for the United States is necessarily good for India.

Fortunately, underneath all the suspicion of the West and the criticism of the United States in particular, there is a strong and widespread desire in India for cordial instead of merely correct relations with America. Thousands of Americans in India are helping her toward economic and social improvements. Hundreds of teachers and students are traveling between India and the US; there is no comparable movement between India and the Communist world.

India and the United States have the same desire for a free and prosperous world, though their approaches to this ideal may differ. Therefore, the independent path that India has chosen for herself runs closer to that of the free nations than to that of the Communists. For long and vital stretches, India's path is identical with that of the West. Most US-Indian differences are caused by the actions of third nations and by the need to find security in an environment hostile to both. No false pride or suspicion should be allowed to overshadow the fact that each country needs the other, or to choke off the myriad opportunities for fruitful contact. Few important states have a relationship to each other which basically augurs so well.

World CORRESPONDENTS CABLE:

What's Ahead

HONG KONG — A bitter Army-Party struggle, similar to the Soviet crisis which led to the downfall and execution of Lavrenti Beria, is in the making in Communist China.

Insiders say, however, that it will be deferred until after the Geneva conference so that the Peking regime, during the discussions, can present the united front its claim to "Great Power" status demands.

Chief rivals in the struggle for control—and ultimate succession to Mao Tse-tung—are his protege, forty-nine-year-old Liu Shao-chi, who ranks in the party hierarchy just after the chief of state himself and Premier and Foreign Minister Chou En-lai, and General Chu Teh, sixty-eight-year-old hero of the civil war and idol of the Army.

The two have been acting with Chou as the ruling triumvirate during Mao's absence — officially "on holiday"—but this has not restrained them from attacking each other in public.

Liu told the recent plenary Party session that "certain high-ranking cadres exaggerate their personal influence" and would "inevitably come to oppose the party and wreck its unity, becoming aspirants for personal power and agents for imperialists." He then complained that too many top jobs went to Army brass.

Chu promptly hit back with a speech which stressed "strengthening the unity of the Army, and the unity between the Army, the government and the people." He made no mention whatever of the Party itself.

The wily Chou is reported standing aloof from the developing clash, hoping that, à la Molotov, his skill in conducting foreign affairs will preserve his place whichever side wins. He is known to expect a stellar role at Geneva.

LONDON — Labor party chief Clement R. Attlee, Opposition Leader in Commons and former Prime Minister, will resign shortly after the forthcoming retirement of his veteran rival and wartime colleague, Prime Minister Churchill, thus ending a British political era.

Attlee, who will soon be seventy-one, is tired of political wrangling and is said to be anxious to turn over party leadership as soon as possible to the younger and more vigorous Herbert Morrison, now Deputy Opposition Leader, and thus quell the growing influence of leftish Aneurin Bevan.

He believes that Sir Winston's retirement, expected in the spring or early summer, would be the proper occasion to bow out.

Morrison, Lord President and later Foreign Secretary in tne Attlee Cabinet and Home Secretary in the wartime Churchill coalition government, is the unanimous choice of the dominant right-wing Labor chieftains, including the heads of the Trades Union Congress, to succeed Attlee.

Former Chancellor of the Exchequer is expected to succeed Morrison as deputy leader.

SINGAPORE — Prospects of a new revolt in Thailand are causing grave concern to US and British officials in Southeast Asia, who fear the present strongly anti-Communist government of Field Marshal Pibul Songgram may be replaced by one much less anti-Red.

Chief of the anti-government forces is said to be Pridi Pnomyong, who at one time after his ouster from power by Pibul in 1947 was reported to have taken refuge with the Chinese Communists.

The threat is considered particularly important because Thailand, which borders war-torn Indo-China, is believed the next target on the Communist Southeast Asia time table.

During the war, while the Field Marshal headed the pro-Japanese regime, Pridi was a pro-Allied resistance leader. He took over the government shortly after the Japanese defeat.

LONDON — The Royal Navy, persuaded by RAF arguments that large aircraft carriers are particularly vulnerable to atomic attack by planes or submarines, plans in future to build only light fleet carriers of revolutionary speed.

The decision may cause abandonment of the three large carriers already under construction.

Atomic-powered destroyers and submarines are also on the Admiralty's future building program.

MANILA — The Philippines are being built up as a major US fortress because of the growing Communist threat to Indo-China and the rest of Southeast Asia.

What's Ahead

American strategic planners, who once sidetracked the island republic in favor of Okinawa and Japan, now realize that the latter are too far north for efficient use as air and naval bases in the event of a major war in the area.

This was brought home to them when it was found necessary to use Clark Field, near Manila, as the operations center for the airlift to Indo-China, instead of the better-equipped Okinawa bases, because of the much shorter distance involved.

Clark Field's runways are being enlarged to accommodate jet bombers, and the 13th Air Force, which is stationed there, has been strengthened by additional jet units.

A huge naval air base is under construction at Cubi Ponit, on the China Sea in western Luzon, and the neighboring naval base at Subic Point is being expanded to handle more and larger ships.

HONG KONG — Reports from inside Red China reveal that Chinese and Soviet engineers have begun the construction of huge bridges across the Han and Yangtze Rivers near Hankow to give China, for the first time, direct north-south rail transportation. This will greatly speed the movement of troops and supplies.

TAIPEI — General Chiang Ching-kuo, son of Generalissimo Chiang Kai-shek, will be placed in charge of all plans concerned with the Chinese Nationalist hope to "return to the mainland," including centralization of guerrilla and intelligence activities.

Ching-kuo, the head of the Nationalist secret police, already has been entrusted with the "indoctrination" of the Red Chinese POWs who refused repatriation and were sent from Korea to Formosa.

MADRID — The US Sixth Fleet, hitherto based on the Italian port of Naples, will move its headquarters to Cartagena, on Spain's Mediterranean coast, according to informed Spanish sources.

LONDON — A renewal of the traditional Anglo-Japanese alliance will be proposed by the government during the forthcoming visit of Premier Yoshida.

The Churchill Cabinet, according to a high Whitehall source, hopes this will break Washington's monopoly as Japan's principal friend and adviser, and permit the re-emergence of the Commonwealth as a major factor in Pacific affairs.

TOKYO — Chinese residents in Japan, convinced that the country sooner or later will go Communist, are sending a delegation to Peking pledging loyalty to the Mao regime.

HONG KONG — The Communist Chinese Navy, strengthened by "gifts" from the USSR and new craft built in mainland yards, is expected shortly to attempt to win complete control of China's coastal waters from Nationalist naval forces.

Sixty Red vessels, ranging from motor torpedo boats to destroyers, a 2000-ton cruiser, and five submarines, are reported based on Hainan, strategic island off the Indo-Chinese coast which is an important supply base for the Viet Minh troops. Hundreds more operate from ports and islands north to Shanghai and Tsingtao.

PARIS — Supporters of the Count of Paris, pretender to the French throne, are reported planning a monarchist coup in the belief that only a king can solve France's internal problems.

The Surete Nationale, acting on information received by former President Vincent Auriol just before his retirement in December, are courteously but carefully checking all visitors to the Count's estate at Louveciennes.

Under the Third Republic, pretenders were barred from residing in France, but this regulation was abolished after World War II.

JAKARTA — Indonesia shortly will abolish its last formal link with the Netherlands, its "voluntary and equal" membership in the Netherlands-Indonesian union under the purely nominal sovereignty of Queen Juliana.

TAIPEI — The Chinese Nationalist government, quietly but decisively, is backing down on its promise to help South Korea create an anti-Communist alliance out of the free nations of the Pacific and Southeast Asia.

Major factors are the growing undercover hostility between Generalissimo Chiang Kai-shek and ROK President Syngman Rhee, each jealous of the US aid the other is receiving, and the extremely cold water thrown on the plan by various other powers approached, particularly the Philippines.

The Generalissimo is reluctant to do anything that would irritate Manila, which regards the bellicose Rhee as a "go-it-alone troublemaker."

High Nationalist sources characterize the ROK President's offer—promptly rejected—of a division to aid French Union forces in Indo-China as "extremely foolish," especially since it was made without consulting Chiang.

PHOTOGRAPH BY RICHARD BEATTIE

YOU are part of their prayers...

ONE MORE SPRING has come to our spinning earth. The dark soil stirs: the vines revive. Who can doubt now that the resurrection and the life are real—? It is a time for joy and hope; a time for faith; and never, surely—never—a time for despair . . .

Yet thousands of Americans will come this week to the church or temple of their choice—unjoyously, with despair in their hearts—to pray for a miracle.

They are the lovers of the doomed. They have listened to the most terrible words that those who love can ever hear:

"I'm sorry . . . Your wife . . . Your mother . . . Your brother . . . Yes, Cancer. We discovered it too late . . ."

In so little time now, they must learn to live alone. For those they love will die: a year from now; a month from now; a few weeks, more or less. Only a merciful miracle can change the story: the final, sure *cure* for cancer. It is for this they pray.

And you are a part of their prayers. For man is the instrument of God's works. The miracle men pray for, in the battle with man's cruelest enemy, must come from the laboratories of men . . . the laboratories *you* support, through your contributions to the American Cancer Society.

You can turn the page now—and forget about the whole thing in twenty seconds. Or you can pause and consider how much *you* want to give.

American Cancer Society

Cancer
Man's cruelest enemy
strike back
Give

GENTLEMEN:

☐ Please send me free information on cancer.

☐ Enclosed is my contribution of $..... to the cancer crusade.

Name.....

Address.....

City.....State.....

Simply address the envelope:
CANCER c/o Postmaster, Name of Your Town

Fingers to hold

Who wants to walk alone when Daddy's hand is there to hold?
Makes a girl feel the same size as everybody.

That's the way all little girls and boys need to feel—safe in a world of love where they can grow without fear. That's where the security we need begins—for every one of us.

To build security for those we love—that is our common dream. And it is a dream that can come true only in a country like America. For only in a free land is every man and woman free to work for it.

It is by taking care of our own that we also make America strong. For the strength of our country is simply the strength of each secure home joined to the security of another.

Saving for security is easy! Read every word—now! If you've tried to save and failed, chances are it was because you didn't have a *plan*. Well, here's a savings system that really works—the Payroll Savings Plan for investing in Savings Bonds.

This is all you do. Go to your company's pay office, choose the amount you want to save—a couple of dollars a payday, or as much as you wish. That money will be set aside for you before you even draw your pay. And automatically invested in Series "E" U. S. Savings Bonds which are turned over to you.

If you can save only $3.75 a week on the Plan, in 9 years and 8 months you will have $2,137.30. If you can save as much as $18.75 a week, 9 years and 8 months will bring you $10,700!

For your sake, and your family's, too, how about signing up today?

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World

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April 15, 1954

America's Magazine of World Events

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APR 16 1954
WOMAN'S COLLEGE

This mid-monthly issue of **World** is compiled from exclusive cables from our correspondents.

The chances are that the US, before the end of 1954, will be engaged in a ***shooting war in Indo-China.***

That is the real meaning of Secretary Dulles' statement that ***Communist China*** is ***"coming awful close"*** to the open intervention which, he had warned previously, would lead to "grave consequences." Ominously, while he repeated his call for "united action," he refused to rule out action by the ***US alone.***

Even if, as is highly likely, Great Britain, Australia, New Zealand, and the free Asian nations cooperate in the struggle, the economic and political facts of life will, just as in Korea, impose the ***major share of the burden,*** in both men and materiel, on the ***people of the US.***

To grapple with this situation—above all ***to prevent it from expanding into World War III***—is the crushing burden laid on America's leaders and diplomats. In short-range importance their task transcends even the hydrogen bomb, and challenges the complacency of every US citizen.

There are only ***two alternatives*** to open US entry into the war: ***abandon the area to communism*** without further struggle, or, at the forthcoming Geneva conference, ***make concessions*** that will induce Communist China to end its support of the Viet Minh forces.

The first, in the light of Secretary Dulles' call for "united action," ***can be ruled out*** entirely. The second is ***highly unlikely,*** despite pressure from our allies, in view of the Eisenhower administration's adamant opposition to either recognition of the Peking regime or its admission to the UN.

Reports reaching WORLD from inside Red China state that ***Mao Tse-tung*** and his colleagues are equally ***determined not to back down.*** A huge Chinese "volunteer" army, some of whose red-starred uniforms were tailored in Hong Kong, is poised on the frontier, ready to enter the conflict the moment there is direct US intervention.

Secret Allied intelligence reports state that some regular Communist Chinese units have already arrived in Indo-China but so far have confined their activities to rear areas.

The Communist Chinese press and radio is ***preparing the population*** for new developments by painting the US as an "aggressor" planning to turn Indo-China into "another Korea." The stories and broadcasts add that Red China is "ready," and that 3,750 officers of field grade and above, including 50 division commanders, have completed special training at Moscow's "Far East Military Training School" and are "prepared to meet future possibilities."

There is little doubt that France, despite the heroic defense of Dienbienphu and the wishes of such commanders on the spot as General Navarre and Brigadier General de Castries, will insist at Geneva on ***peace at almost any price***—unless the US agrees to send fighting troops as well as further financial and material aid.

An intimate of Pierre Mendes-France, Radical Socialist leader considered likeliest new Premier if France turns to the Left, told WORLD:

"Only ***American soldiers*** can change the situation.

"The belief in US quarters that the West can train a Viet-Namese army to defeat the Viet Minh is a dangerous illusion. The officers and men would desert in droves."

The editor of the pro-US daily *Le Monde*, summing up the prevailing viewpoint, said:

"French diplomats must try to persuade Congress that ***no success*** is possible in Indo-China ***without American intervention,*** which most likely would provoke Chinese intervention.

"This choice should long ago have been put to the American people: either ***take our place*** in Indo-China, ***or help us negotiate.*** This question must be answered before Geneva, for on the answer depends success or failure."

Throughout the Far East the belief is growing that US air and naval units, at least, will be participating openly in the Indo-China conflict by October, when the summer monsoon rains come to an end, and that, if this takes place, ground forces sooner or later will move in.

Significantly, the ***US Air Force*** has offered to ***fly American correspondents*** to Indo-China to permit them to "get the real story before the American people, so that, if they get involved, they will know what it's all about." ***Previously,*** Air Force transportation had been ***refused correspondents*** on the ground they should not "intrude" in another country's war.

A high official of a friendly Asian nation warned WORLD that even active US intervention would ***not be sufficient,*** by itself, to save Indo-China permanently from communism. He said:

"The US must be absolutely realistic. Besides committing its armed forces, it must take the following steps in order to win:

"1. It must ***disown*** Viet-Namese Chief of State ***Bao Dai.***

"2. It must bluntly tell ***France to renounce any hopes of remaining*** in Indo-China.

"Only thus can the bulk of the Viet Minh troops, who are nationalists and basically anti-Communist and anti-Chinese, be won over."

* * *

WORLD can state that the US, in a brilliant diplomatic reversal designed to cut the ground from under the present Soviet political offensive in Western Europe, is considering ***dropping EDC*** in favor of a military cooperation plan that will be more acceptable to France.

The new scheme, instead of integrating the West European armies into one unified force, would permit each one to remain an ***autonomous national unit,*** joined in coalition with the others under a common planning staff—which would become a functioning command general staff in time of war or emergency—and with a common supply organization.

This would ***meet the objections*** of EDC's bitterest French opponents, ***Marshal Juin*** and ***General de Gaulle,*** and would have clear sailing in the French National Assembly.

Confidential discussions on the details of the substitute plan are now under way, WORLD has learned in ***Paris*** and ***Washington.***

Top American officials in Paris, from NATO commander General Alfred M. Gruenther on down, have been persuaded that, even if EDC could be jammed through the French National Assembly, it would be at the price of ***wrecking the Western Alliance*** and threatening France with civil war.

They are convinced that, by embittering a very large minority—if not majority—of the French people, ***ratification of EDC*** in its present form would place an ***intolerable strain*** on Franco-American relations and drive a permanent wedge between France and West Germany, already at odds over the Saar.

General Gruenther himself is said to have transmitted these representations to President Eisenhower, one of his closest friends.

The new scheme will be even more ***acceptable to West Germany*** than the original form of EDC, since it will inevitably lead to the formation of an autonomous West German army no matter what Allied controls remain in force. Bonn's main interest is in ratification by France of some form of military agreement, since on this hinges the legal implementation of the contractual agreement (in force de facto since 1952) virtually restoring West German sovereignty.

Great Britain, which has loyally supported the US efforts to bring about ratification, also ***will cooperate*** by promising to keep her troops in Germany as long as the present threat to Western Europe necessitates the continuance of NATO and SHAPE.

* * *

The "new look" in Soviet foreign policy is the result of the effort to establish a ***balance of power*** in Europe.

WORLD has learned that Allied diplomats in the chief European capitals are convinced that Moscow, for the present at least, has ***no thought of military dominance*** of the Continent but would settle for the lesser goal of ***maintaining the status quo.***

The first sign of this, the diplomats say, was ***evident at Berlin,*** where Soviet Foreign Minister Molotov strove sedulously to convince the West that he was prepared to make genuine concessions.

The second indication, according to our sources, was the ***offer to join NATO,*** which if fundamentally a cynical power politics gesture, had overtones of sincerity.

They listed the following reasons for the apparent Soviet shift:

1. Realization that, in EDC or out of it, ***West Germany will shortly rearm,*** which will largely nullify the Red Army's present preponderance of ground forces.

2. Desire to achieve European stabilization to ***strengthen its hand in***—and enable it to devote all its attention to—the mounting crisis in the ***Far East.***

3. Realization that the peoples of the world have become aware of the ***awful potentialities of hydrogen warfare,*** and that not even the docile and slave-driven Russian people—whose sons make up the Army—will tolerate a regime which precipitates their own destruction. Only this can explain, the diplomats say, the diffusion by the Soviet press of reports of the effects of H weapons.

4. Realization that the ***West,*** through Washington's new flexibility in Europe and firmness in the Far East, has achieved a new ***"position of strength."***

Furthermore, the USSR ***cannot risk direct involvement*** in a major war—and a European conflict could hardly develop into anything less—while the ***internal struggle*** for supreme power among Malenkov, First Party Secretary Khrushchev, and the Red Army marshals continues.

The Soviet attitude at ***Geneva*** and at the proposed ***"Big Four" talks*** to explore the implications of hydrogen weapons is expected to furnish the ***first test,*** on the concrete level, of the USSR's "new look" military policy.

* * *

The almost universal reaction to the new Soviet military line, WORLD correspondents have found, is that it is purely a ***tactical maneuver.***

Significantly the ***Yugoslavs,*** who from bitter experience claim to know all about how Moscow operates, are most emphatic on this point. They claim that the masters of the ***Kremlin*** still expect eventually to ***dominate the world.***

Top Belgrade officials assert that the ***primary purpose*** of the change is to allay French fears and strengthen French neutralism, thus ***weakening the West*** just as it is growing stronger.

President Tito's supporters nevertheless welcome the new development, since they contend that ***genuine European collective security*** can never be attained so long as either the USSR or the great Western powers hold a dominant military position.

* * *

Straw in the wind: The Cuban Embassy in London, present tenant of No. 28, Hyde Park Gate, has been asked to vacate the premises by July 31 at the latest.

The house is the private residence of Prime Minister Sir Winston Churchill.

WHAT'S AHEAD FOR WORLD BUSINESS:

As the second quarter of 1954 gets under way, many foreign nations are feeling the effects of the American "recession" in ***reduced orders from the US.*** And, with fewer dollars to spend, they are ***cutting their purchases of US goods,*** or getting ready to, as an emergency measure. US exporters have other troubles too. Most European manufacturers can get favorable government loans and can thus offer easy terms of payment to overseas customers, putting ***US industry at a disadvantage.*** Also, many foreign producers are able to undersell Americans.

How is all this going to ***affect exports*** of the major US manufacturing industries in the next nine months? Will they be able to sell as much in 1954 as they did in 1953? To find out, WORLD checked with the men who hope to make the sales, and with the countries which will have to do the buying. Here is an industry-by-industry report on the export outlook:

MACHINERY—The ***competition*** from foreign manufacturers—particularly British and West German—is ***getting brutal.*** Their main advantage seems to be the ability to grant more favorable government-backed credit terms. With luck, US exports should decline less than 5 per cent.

PLASTICS—Lack of dollars is hurting US sales in general and lower foreign prices may hurt some of the older plastics. The industry, however, looks for sales of new US plastics to ***help make up for any loss*** of orders for the "standard" line, so the year could almost equal 1953.

MACHINE TOOL—Inability to meet the credit terms and ***lower prices offered by Europeans*** will cut into US exports. This country may have to settle for the smaller, high quality market because of the price problem. ***Sales abroad*** are not expected to come near 1953, and will probably be at least ***10 per cent under*** last year's export volume.

STEEL—The ***competition*** is going to get ***rougher*** as the European mills push their excess production in foreign markets. Again, the dollar shortage, competitive price position, and better credit terms will help the foreign mills, but US sales shouldn't be down more than 5 per cent.

GLASS—Lack of dollars abroad will keep sales below what they might be, but volume should be at least as great as last year, due primarily to ***superior US manufacturing skills*** in some sections of the industry and some new products not available elsewhere.

TEXTILES—The growth of finished-goods plants in many of the "underdeveloped" nations will again ***cut into US sales.*** So will the dollar problem, since many former US customers are now able to buy their textiles at home or in soft-currency markets. US exports will probably drop 5-10 per cent below 1953, with no immediate relief in sight for most manufacturers.

TIRES—Increases in the ***sale of large tires*** (used on trucks in various construction projects) are looked for because of the continued industrialization and development of the backward nations. Most foreign plants can't fill this demand, but US sales of tires for passenger cars will probably decline 2 to 5 per cent from the 1953 figures due to new production abroad.

AUTOMOBILE & TRUCK PARTS—A drop is expected because of ***increased competition*** on every continent. The industry hopes sales won't be more than 10 per cent below 1953.

ELECTRICAL EQUIPMENT—There is heavy competition in Europe for orders placed by the many nations bent on electrification. The fact that manufacturers in other nations are willing to take payment in soft currencies, can give longer credit terms, and in general offer lower prices, keeps sales of US equipment down. However, because the ***demand*** for this sort of equipment is so ***great all over the world,*** exports from this country in 1954 stand a good chance of equaling last year's total, but sales would be greater if prices were lower and credit longer.

CHEMICAL MACHINERY—Demand for US-made products in this field is still big, but ***foreign competitors,*** offering lower prices, easier credit, and willing to accept part payment in soft currencies, are seriously ***affecting US sales.*** Exports in 1954 may be 15 per cent below 1953.

The Editors

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